THE Freeman

IDEAS ON LIBERTY

DECEMBER 1960

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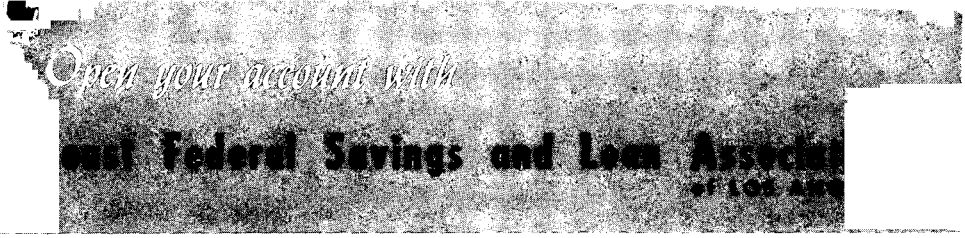

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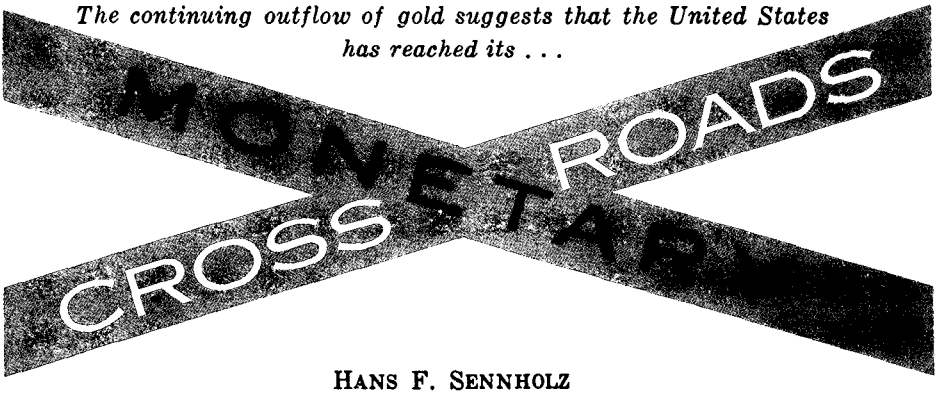
The continuing outflow of gold suggests that the United States has reached its . . .



HANS F. SENNHOLZ

NO MATTER what the politicians may have promised the American people, the new administration faces some hard facts of economic life. Most electioneering promises, if implemented, involve increased government spending for such favored pressure groups as farmers, workers, small businessmen, and the aged. But more government spending necessitates higher revenues which must be obtained from the people.

If the new administration tries to keep its campaign promises, it will have to raise the taxes or incur budget deficits. Judging from past experience, it will do both: close tax "loopholes," which in plain English means higher taxes on some groups of taxpayers; and rely on deficit financing, which means inflation.

The most popular approach during the last 30 years has been deficit financing, which largely accounts for the ominous depreciation of our dollar. During the Roosevelt, Truman, and Eisenhower administrations, unusual conditions hid the most spectacular effects of inflation from the eyes of the public. The new administration may be less fortunate for, in addition to the presently visible effects of inflation, it is likely to face a gold crisis.

In September 1960, the American gold stock slipped below $19 billion for the first time in 20 years. Since 1958, it has decreased some $4 billion and continues to decline month after month. In addition, foreign banks and capitalists have built up large liquid assets in this country which may be redeemed in gold upon demand by foreign central banks. Foreigners

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now own in the United States approximately $21 billion of liquid assets. Though we still hold nearly $19 billion of gold, some $12 billion of that is required as monetary reserves under our Federal Reserve Bank laws. This leaves a free gold reserve of some $7 billion against $21 billion of liquid foreign assets.

An Unfavorable Balance of Payments

In popular language, this outflow of gold and build-up of foreign balances is called an "unfavorable balance of payments." It gives rise to alarm because foreigners may some day decide to ask for gold en masse, which would leave the U. S. Treasury bankrupt in international payments. But some government officials are still disposed to view the gold loss as a passing phenomenon of limited scope because most of the foreign dollar gains are deposited in American banks or invested in American securities.

The popular explanations of this unfavorable balance are often quite superficial. The general public believes that an unfavorable balance is the result of unfortunate circumstances over which the citizens have no control, and that correction of the situation requires government action on an international scale.

The truth is that the flow of gold and international exchange is the inevitable outcome of the monetary policies conducted by the government. A policy of inflation or credit expansion causes an outflow of gold because inflation makes commodity prices rise and short-term interest rates decline. Foreigners purchase less from us and our imports increase. At the same time, short-term capital is sent abroad in order to earn higher interest. Consequently, gold leaves a country until its inflationary policy is abandoned or until it is surpassed by inflation in foreign countries.

The socialists and nationalists are quick to lay the blame for the gold losses on sinister foreign forces that are said to attack the stability of the dollar. The Federal Reserve System is applauded for its valiant defense of the currency against foreign intrigue and speculation.

In reality, the Federal Reserve System is the government engine of inflation that causes the gold losses. The Federal Reserve expands its credit more than the European central banks expand theirs. American prices thus tend to rise more quickly than prices in Europe, and the American interest rates tend to be lower than European rates. Foreigners have nothing to do with the causation of these phenomena. European

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and American businessmen react alike to American credit expansion. They buy less in the United States and more abroad, and both tend to shift some capital overseas.

On August 1 when the Federal Reserve discount rate stood at 3½ per cent, the comparative rates stood at 6 per cent in England, 5 per cent in West Germany, 4 per cent in France, and 7.3 per cent in Japan. It is no coincidence that each of these countries was increasing its gold reserves and dollar holdings. From January 1, 1959 to March 31, 1960 (the latest date for which statistics are available at this writing) the United Kingdom gained $159 million in gold and dollar holdings, Germany $291 million, France $783 million, and Japan $522 million.[1] So large are the gold and dollar holdings of the German and Swiss banks that both central banks have taken steps to halt the heavy inflow of funds from the United States.

Foreign Inflation Facilitated Dollar Depreciation

Such a turn of events comes as a shock to many American observers. The United States government has expanded credit numerous times and has incurred huge budgetary deficits for some 30 years without the dilemma of embarrassing gold losses. Why could the previous administrations conduct inflationary policies with such impunity?

During the 1930's, the fetish of cheap money dominated Europe and other parts of the world. No matter what President Roosevelt did to the U.S. dollar, the European governments outdid him. The prestige of the pound sterling went in eclipse when, in 1931, the Bank of England quit paying gold and went off the gold standard. Capital and gold holdings no longer seemed safe in England. Also, France and Switzerland suffered severe gold losses by reason of their currency devaluations in 1936 and the explosive political situation in Europe. The rise of Hitler caused gold to leave Germany until rigid government controls halted all movements. With the outbreak of war and the threat of German occupation, the flight of European gold to the United States naturally accelerated. European chaos and monetary disorder afforded U.S. monetary authorities tremendous leeway for their own inflationary ventures.

For the same reason, the numerous bursts of Federal Reserve credit expansion in the first postwar decade failed to create a dangerous payments problem. The Fed-

[1] Federal Reserve *Bulletin*, August 1960. p. 959.

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eral Reserve System in the Truman Administration could expand credit and depreciate the dollar because foreign currency depreciations were even worse. In England, France, Germany, Italy, and Japan, the central banks created credit even faster than did the Federal Reserve, and their governmental trade restrictions were even worse than those of the Fair Deal.

When foreign governments returned to balanced budgets, the situation was bound to change. Foreign currency stabilization and continuous American credit expansion meant that capital and gold would turn away from the United States. In 1957, this turning point was finally reached.

United States Continues Inflation

While more and more European governments endeavored to balance their budgets and took steps toward currency convertibility, the United States government continued its policy of deficit spending and credit expansion. In 1958 and 1959 respectively, the federal government incurred deficits of $7.3 billion and $8.0 billion. The Federal Reserve lowered its discount rate from 3 per cent in January to 1¾ per cent in April of 1958, but felt obliged to raise the rate again later in the year.

Beginning in June 1960, Federal Reserve authorities took several additional steps to ease credit. The discount rate at which the System stands ready to lend its funds to member banks was lowered in two stages from 4 per cent to 3 per cent. Effective September 1, the reserve requirements for banks in New York and Chicago were reduced to 17½ per cent from 18 per cent. Rules were relaxed as to the amount of cash in bank vaults that may be counted as part of a bank's legal reserves. These two steps provide commercial banks with more than $600 million of new reserves. The System also embarked upon large-scale open-market purchases of government securities which injected more than $600 million into the economy. A further indication of the resumption of easy money policies is the reduction of margin requirements on stock market credit from 90 per cent to 70 per cent.

The United States government and its Federal Reserve System are firmly committed to deficit financing. Whenever the American economy shows symptoms of economic decline, the government feels called upon to create another boom through deficit spending and credit expansion. This attitude is the ideological cause that is creating and perpetuating the problem of gold losses.

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May We Ignore the Problem?

The United States cannot continue a payments deficit of present proportions and lose gold indefinitely. What can and should be done to solve the problem?

Some persons suggest that we merely ignore the problem because gold is an ancient relic for which there is no place in the modern economy. Who wants to sacrifice the government's autonomy in economic planning for the sake of gold and a given exchange rate?

For the U.S. government to ignore the gold problem is to invite dollar disaster. It is true that our government may temporarily succeed in persuading foreign central banks to ignore the dollar weakness. Through persuasion or gentle coercion it may induce foreign depositors to maintain their dollar balances and refrain from further gold withdrawals. But the foreign banker who heeds the American advice runs the risk of staggering losses in case the U.S. government should suddenly cease gold payments, which would cause the dollar to fall in relation to gold and foreign exchange. And he invites disaster regarding his own career. To protect his own solvency, he must continue his gold withdrawals although he may start a run and precipitate a dollar crisis.

It seems unlikely, however, that the U.S. government can long persuade foreign central banks to ignore the problem. Governments do not trust the integrity and honesty of one another in monetary matters. They learned the lesson in 1931 when the British government abandoned the gold standard and again in 1949 when it devalued the pound. France and Holland, particularly, suffered huge losses on their sterling holdings in 1931 when they trusted assurances of the Bank of England's Governor Montagu Norman that England would remain on the gold standard. But two days later he suspended gold payment. In 1949, Sir Stafford Cripps, Chancellor of the Exchequer, reassured the frightened public thirteen times of his sincere intention to maintain the official exchange rate, whereupon he suddenly announced a devaluation. These examples illustrate the reasons why governments and central bankers cannot trust each other in monetary matters.

Foreign dollar-holders may remember this lesson and withdraw their capital before it is decimated by an American devaluation or payment suspension. True, their withdrawal might precipitate a sudden run and crisis. But, in the long run, that might be less harmful than a continuation of

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currency expansion that is hidden and prolonged by dishonest tricks and subterfuge.

A Proposal by the President

It is imperative, some writers concede, that we maintain world confidence in the U.S. dollar and solve our payments problem; we must expand our exports of goods and services to offset our spending.

President Eisenhower had this in mind when he outlined an export development program to assist American exporters in expanding their sales in foreign markets. The government would promote exports through free advice, guarantees, U.S. participation in foreign trade fairs, expansion of export credit insurance by the Export-Import Bank, and other hidden subsidies.

Will such a policy solve the payments problem? Obviously not! The government help may temporarily promote American sales abroad because the public treasury carries some sales costs or reduces the risk to exporters. These subsidies for the benefit of foreign buyers and American exporters may temporarily halt the gold losses. But government payments do not correct the basic maladjustment. If our credit expansion continues and the purchasing power of the dollar further declines, ever larger export subsidies will be required to counteract the basic maladjustment. It is obvious that this must end sooner or later. The subsidy approach is self-defeating, as it necessitates more government spending and deficit financing which is the very cause of the gold losses. In short, an evil cannot be remedied by an intensification of its cause.

The government's eagerness to help exporters with taxpayers' money is usually accompanied by an official denunciation of foreign trade policies. Foreign trade barriers and restrictions are blamed for our inability to sell enough abroad to solve our payments dilemma.

This attempt to shift the blame to foreign governments for what is clearly our own government's making must be rejected. During recent years the industrial nations of the free world have reduced their trade barriers, which partially accounts for their upsurge in production and prosperity. While they were lowering their barriers, we were losing gold, which strongly suggests that we not attribute our losses to the remaining, but reduced, foreign trade barriers.

The government reasoning implies that foreign governments are responsible for our dilemma and that the problem can be solved

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by foreign freedom of trade on the one hand and by American trade restrictions on the other hand. Although this is a convenient line of official reasoning, it is radically opposed to the truth. It is especially dangerous because it encourages protectionism in the United States. The payments argument together with the argument of higher labor costs in the United States, which allegedly hampers American competition at home and abroad, could lead to a great number of new American trade restrictions. Such a "solution," however, can only disrupt foreign trade, cause unemployment at home and abroad, and further jeopardize our economic and political position in the free world.

Another imperative for the solution of our payments problem, according to official reports, is that our prosperous allies take more of a share of the West's responsibility for aid to underdeveloped countries. Our government officials are urging Germany, in particular, to embark upon more foreign aid spending in Asia and Africa to give relief to the U.S. Treasury.

This is poor advice. German handouts to Ghana, Congo, or India can affect the American gold problem only inasmuch as they induce the U.S. government to reduce its spending, balance the budget, and refrain from credit expansion. It is doubtful, however, that any foreign handout could bring about such a change in American attitude. On the contrary, substantial German foreign aid spending would appear to vindicate American spending and encourage our Washington planners to spend even more. Furthermore, foreign aid by their governments would tend to dissipate the economic strength of our prosperous allies and create payments problems for them. Foreign aid spending encourages the recipient governments to embark upon central planning and development programs and, thus, further promotes socialism in the underdeveloped areas of the world.

More Subterfuges

An intensification of our payments problem will bring the U.S. government to crucial monetary crossroads. One road leads to stabilization of the dollar through balanced budgets and credit stability. This road requires the renunciation of a great deal of government intervention. It is the road of individual enterprise and limited government. The other road leads to all-out socialism via a number of interventionist subterfuges designed to make inflation and credit expansion work.

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One of these measures is the lowering of the legal reserve requirements. According to present legislation, the Federal Reserve System is required to maintain a reserve of 25 per cent in gold certificates for its note and deposit obligations. As pointed out above, gold holdings are down to $19 billion of which some $12 billion constitute required reserves, leaving a free gold reserve of some $7 billion. If foreign central banks continue to draw heavily against this amount, or if the Federal Reserve should expand its obligations through additional note issue or credit expansion, or if the two things go on simultaneously, the critical point may soon be reached. Under the present law, the Federal Reserve would then be required to contract its credit in order to reduce its obligations.

Rather than face up to a squeeze in that manner, however, the government will probably resort to a subterfuge it has practiced before: reduce the legal reserve requirements from 25 per cent to, let us say, 15 per cent. This would afford the System new leeway for further credit expansion by changing required gold reserves to free reserves.

Such a "solution," however, would merely intensify the payments problem through temporary continuation of present policies. It would shake the world's confidence in our integrity and probably precipitate the foreign run on the remaining gold.

Another subterfuge in the armory of statist planners is foreign exchange control. This is tantamount to nationalization of all foreign exchange dealings. All exporters would be forced to cede their foreign earnings to the government which would then sell them at arbitrary exchange rates to importers for purchases which the officials deem essential. Foreign money and gold would be rationed according to central plan and official discretion. In a country that depends on imports from abroad, foreign exchange control is naked tyranny of the government over business. In the United States, where foreign trade is less important, foreign exchange control would constitute another important step toward total socialism. Like the reduction of reserve requirements, nationalization of foreign exchange dealings can hardly be assumed to foster foreign confidence; it probably would trigger the dreaded run.

Any government that invites such a run would most likely react to it by suspending gold payments. Blaming foreigners and speculators, it would declare itself incapable of meeting the gold withdrawals. Immediately, the price of

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dollars in terms of gold and foreign exchange would collapse. Foreign holders of dollars or claims on dollars would suffer severe losses. Though such bankruptcy might solve our payments difficulties, the price would be suicide as a free nation. The dollar would lose its position as a world currency. Foreign confidence in the United States as a free nation and a champion of freedom would be shattered. The resultant inflationary burst here would entail all-round price, wage, and rent controls. In other words, socialism would arise from the ashes of inflation and payments bankruptcy.

Dollar Devaluation Is Inevitable

Another "remedy" of inflationists is currency devaluation. When the outflow of gold reaches menacing proportions, an interventionist government is prone to devalue the currency officially. It suddenly decrees that the price of gold and the value of foreign money have risen in terms of the depreciated dollar. Just as President Roosevelt devalued the dollar in 1933, the new administration will be tempted to devalue again, increasing the price of gold, for instance, from $35 per ounce to $50 or $60.

The effects of currency devaluation are disastrous. Like the payments suspension, dollar devaluation would undermine the economic position of the United States in the world. It would probably usher in price, wage, and rent controls. It would inflict severe losses on foreign depositors and on all creditors, thus penalizing thrift and self-reliance. It would destroy the people's savings and capital en masse and cause capital consumption. Productivity and standards of living would decline.

Even so, currency devaluation is an inevitable step on the road of credit expansion and unbalanced budgets. No matter how many controls the inflating government may choose to impose on the people, currency depreciation sooner or later necessitates official devaluation, which re-establishes a more realistic exchange rate between gold and depreciated currency.

If our government continues its policies of monetary ease and depreciation, dollar devaluation cannot be avoided. Devaluation constitutes official admission that the dollar has declined in value—proof that the laws of economics prevail over government planning.

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THE REAL CONFLICT

Its resolution is a personal responsibility.

RALPH BRADFORD

THERE has been much talk in recent years about the alleged conflict between business and government. Actually, there is no such thing.

Businessmen, to be sure, have often criticized those in charge of government on matters of policy or administration. But so have farmers, laborers, and professional people. This is not "conflict." It is simply a part of the process of representative government. There is no conflict between "business" and government, any more than there is between "agriculture" or "labor" or "medicine" or "education" and government.

But there *is* a conflict, very real, very serious, age-old and inevitable – namely, the conflict within each of us as to the role he expects government to play in his own life and in his relations with his fellows – whether it shall be an agency to protect him and all others in their life and liberty and pursuit of happiness, or whether through coercive force it shall direct and dominate his life and theirs.

It was a recognition of this conflict that led the founders of our government to hedge it about with defensive checks and balances. On the one hand they wanted to guard against the overextension of governmental powers; on the other, they wanted to protect government against the excessive and ruinous demands of the people who would live under it. In other words, they wanted to protect the people from themselves; for whether they were exploited by those they had elected, or despoiled by their own cupidity, the ruin, in the end, would come home to them.

Once launched, that government had to meet the test of time and

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usage. As the decades multiplied, it emerged as one of the great experiments of humankind in self-government, and so it stands today.

But there comes a time in the life of every civilization when the lamp of freedom burns low. Partly, perhaps, that is because physical frontiers vanish and the pioneering spirit fades. Partly it may be because men cease to make with their own hands the things they need, and are thus more and more remote from the realities of primary production. In part, it is no doubt due to age – not of persons but of civilizations; for they, too, have their time of youth and vigor, their sedate and sedentary middle period, and their shuffling senility.

Whatever the cause, somewhere along the line the word "success" becomes less alluring than the word "security" – and when that happens to large numbers throughout a civilization, then its period of greatness is waning or past, and it is headed for the boneyard of history.

Now the pendulum is on a swing toward the Mother-Father State. As always, this trend is based on the loftiest of motives. The declared aim is to improve the lot of the individual – a consummation devoutly desired by all men of good will. Ultimately, however, when supergovernmentalism is carried to its final stages, the aim of making life better for the individual is sacrificed, and the end result is first to rob him of his substance through inflation, and finally to deprive him of his freedom.

Who Is Responsible?

This is where the real conflict is sharply dramatized – the inner conflict of the individual with himself, whether to accept and exercise self-responsibility, or to attempt the shifting of that responsibility onto society through government. Over and over, history has recorded the results of that conflict, as portrayed in the rise and fall of nations. Nor is it all *ancient* history. We do not need to go back to Rome and its decline. We have seen it happen in many parts of today's world. Before the eyes of this generation, once-great nations are decaying and falling apart. The constant spread of our own government, and the sapping demands of its voracious tax-appetite, accompanied by a dollar shrinkage to about one-third its value in one generation – this is painfully apparent to all who will see.

No matter where on the globe it may be located, the constant tendency of government is to grow; to expand its functions; to

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absorb the prerogatives of subordinate units of government such as states, counties, and municipalities, using up their tax sources in its ever-increasing demand for revenue; and to take away more and more of the substance of those very individuals whose lot it is supposed to be improving. And it does this, strangely enough, both at the demand and over the protest of its citizens.

The conflict is not just a case of ambitious, power-driven bureaucrats reaching out to gobble up lesser units of government and to control the lives of the people, though that may be part of it. Rather, it is the paradoxical phenomenon of people who resent and resist the encroachment of government into their private lives nevertheless demanding, in effect, that it do so encroach, by insisting that it "give" them more and more services, bonuses, loans, pensions, price supports, subsidies, tariffs, and other "benefits" never contemplated when the government was established.

Governments start out simply, in response to certain basic needs of men living within a common geographic area. Usually with slowness, but sometimes rapidly, they go through the steps from Jeffersonian simplicity to the apotheosis of statism – the stages that promise utopia but lead to ruin. This process is often stoutly resisted by those who want the state to remain simple for the sake of solvency and freedom. It is advocated and pushed on by those who want the State to do something special for them or their economic group or their area, or for the public generally. And the ultimate irony of it all is that the proponents and opponents of what we may call progress-through-bankruptcy *are often the same people!*

This is the real conflict – the inner battle between common sense and greed, between wisdom and folly, between the sense of get and the sense of give, between God and Mammon, that always goes on in the aspiring but weary human heart.

If we will multiply the urges and demands we have mentioned by tens of millions; if we will imagine them extending over decades and generations; and finally, if we will ask ourselves whether we, too, denounce useless spending and inflation in one breath and in the next demand some governmental favor or privilege for ourselves, our business, or our city—if we will do this, we will perhaps reach a better understanding of the real conflict, and of the part which we, as citizens, *ought* to play in it.

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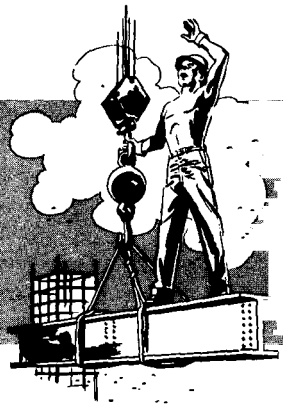
ECONOMIC GROWTH--

Reality and Mirage



WILLIAM HENRY CHAMBERLIN

THE SUPPOSED necessity of forcing a more rapid rate of growth for the American national economy is one of the two main talking points of the statists and planners at the present time. The other is the idea that too little money is being spent for public purposes, that Americans are undertaxed and don't know how to spend their money wisely anyway, so that it will be all the better for them if an all-wise and omnicompetent government relieves them of much of the task of deciding how to spend, or save, what they earn.

There has been much play with the idea that we are in a production race with the Soviet Union, that our very national survival depends on winning this race. But this whole idea of an economic race between two countries with profoundly different social and economic systems, ideals, and goals is far more complex than it is to determine who won a hundred-yard dash. The complexity is enhanced because Soviet methods of economic computation are highly suspect to most foreign economists who have studied the subject. And their suspicions recently received confirmation from an unimpeachable Soviet source.

One of the oldest Soviet economists, S. G. Strumilin, in an essay on "Investment Effectiveness," recently received in this country, admits that official Soviet figures on industrial growth are unreliable because of the practice of double counting. For instance, in estimating over-all Soviet industrial output, sheet steel is counted twice, first when it emerges from the factory, second when it is used in trucks or other manufactures requiring steel.

Economic growth is certainly desirable, just as health is desir-

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Mr. Chamberlin, noted author and speaker on political and economic affairs, has observed at firsthand the conditions of growth on either side of the Iron Curtain.

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able for the body. But growth that is stimulated by inflation may be a deceptive mirage, as is growth that ignores such important elements as quality of output and free consumer choice. This is why the very considerable increase in Soviet industrial output which has taken place in the last forty years (and could have been naturally expected in a country of Russia's size, population, and natural resources, regardless of the economic system) has had so little visible effect on the standard of living of the Russian people.

The experience of the United States shows that steady growth on an ever expanding base is the normal condition of an economy that is still, despite much state interference and distortion, predominantly private in ownership and incentives. Real gross national product over the period 1909-1957 grew at an annual compound rate of 2.9 per cent a year. This rate was somewhat stepped up, to 3.8 per cent, between 1948 and 1957.

Of course, the increase in population made the figures of per capita growth somewhat smaller, 1.5 per cent for 1909-1957, 2 per cent for 1948-1957. However, the upward trend is unmistakable and completely explodes the Marxist gloom-and-doom theory that the rich are predestined to become richer and fewer, while the poor become more numerous and poorer.

It is noteworthy that some of the most conspicuous successes in solving social and economic problems have followed the application of the method of economic freedom, while state intervention has led to some of the biggest fiascos.

A Solution to Poverty

John Steinbeck's novel, *The Grapes of Wrath*, dramatized the plight of the "Okies," Oklahoma farmers who were impoverished as a result of a prolonged drought. Under a statist regime the Okies would probably have been "directed" to go to work elsewhere. Under a free system many of them piled into their battered cars and took off for California. In the beginning, as Steinbeck's novel showed, the going was hard. But the saga of the Okies had a happy ending, which has not been so much publicized. They were easily absorbed into aircraft, oil, and other industries and are now mostly solid citizens of California.

The same thing, on a larger scale, occurred in Germany. Since the war ended, some twelve million Germans and people of German stock either were forcibly expelled from their homes and dumped penniless into the German Federal Republic or fled from political oppression and economic lack of op-

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portunity in Soviet-ruled East Germany. This means that more than one out of every five of the citizens of the Federal Republic is an expellee or a refugee. The problem of absorption created all sorts of initial difficulties, crowding for the older inhabitants, job difficulties for the newcomers. In this case a plausible case might have been made for some compulsion. But the West German authorities remained true to their principle of economic freedom.

They did what was possible to help the refugees help themselves and find a new start as workers, farmers, owners of small industries. But they never said to them: "So many of you must go here, so many there." And the result has brilliantly vindicated the reliance on individual initiative. Many of the refugees are to be found in leading positions. By their hard work they became pacemakers for the other Germans. To a considerable extent they replaced Germany's war casualties. Today Germany's problem is not one of unemployed, unhappy refugees; it is one of shortage of labor.

A Colossal Failure

On the other hand, one of America's biggest and costliest experiments in government intervention, the attempt to maintain prices of many farm products at price levels above the market, has been a resounding failure from every standpoint. Farmers remain dissatisfied; taxpayers are mulcted; consumers are robbed; there is resentment in Canada and other countries which are trying to market their crops on a commercial basis.

Another striking example of the folly and harmfulness of government intervention in the free market is the practice, more widespread in Europe than in the United States, of rent control. The result of this experiment, which amounts in many cases to outright expropriation of the owners of rental housing, is that deterioration of housing and difficulty in finding new apartments are in direct proportion to the severity of the rent control. (Its consequences are to be seen at their worst in France where the depreciation of the currency has reduced the real value of rents to virtually zero. The natural consequence is stagnation in the private building market and an almost complete neglect of upkeep of apartment houses which yield no revenue to their owners. The European country where there is no housing shortage is Belgium, which took the sensible and logical step of abolishing rent control some years ago.)

So, while growth in an economy

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is certainly desirable, some conditions and qualifications must be laid down, if desirable growth is not to degenerate into undesirable "growthmanship," a mere playing with figures, a mirage and a deception. After all, as Mr. W. Allen Wallis, special assistant to President Eisenhower and executive vice-chairman of the Cabinet Committee on Price Stability for Economic Growth, very sensibly said in a recent address:

"Growth is not an end in itself. We do not live to grow; we grow to live better. And we do live better, not only by consuming better, but also by working under better conditions. . . . A unique feature of our economic growth has been the broad sharing of progress among all groups. We represent the nearest approach to a classless society."

Healthy Growth

Growth is healthy when it responds to genuine demand and satisfies human needs. It is unhealthy and deceptive when it is undertaken by the fiat of state planners or when it receives the narcotic stimulus of currency inflation, which robs the people of their savings and leads in the end to far worse difficulties than those against which it is sometimes mistakenly invoked as a quack remedy.

Overproduction in general cannot occur, provided that the free market is permitted to function normally—a condition that is, alas, seldom realized in modern times. But a mature and productive economy like the American can conceivably turn out more of some particular commodity than home and foreign markets can absorb. None in America, for instance, goes hungry for lack of bread or other wheat products. It is merely silly to force the growth of unusable agricultural surpluses or industrial goods for which there is no market. The remedy for such situations is to shift to other more profitable forms of production.

One of the considerations that makes comparisons between American and Soviet growth rates so misleading as to be downright futile is the very different levels of output on which the economies are operating. For instance, United States output of passenger cars is about 6 million a year, as compared with about 100,000 in the Soviet Union. So a Soviet "growth" of 100 per cent would be the equivalent of an American growth of less than 2 per cent.

Other factors that should make for a fairly high Soviet growth rate and that do not apply to the United States may be noted. Having stinted their people in consumer goods for four decades, the

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Soviet government has no reason to fear saturated needs of such goods. Masses of Russians are being transferred from agriculture, with its low productivity, to industry, with its higher value of output. The Soviet Union is able to take advantage of technology that has been developed in other countries. As Mr. Wallis puts it:

"In other words, Russian growth is more rapid because they are still in the area where improvement is easy and the way has been shown, whereas we are more heavily involved in the difficult tasks of expanding productivity in medicine, journalism, education, engineering, and other services. *There is no possibility that the Russian economy will overtake ours at any time in the visible future, certainly not in this century.*" (Italics supplied)

Much of the oratory of those who are concerned with increasing the American rate of economic growth contains more heat than light, more insistence on the end than specific consideration of the means. Insofar as recommendations in this field are more or less specific, they tend to run to "pump-priming" or inflationary devices, to be counteracted by price and wage controls. The whole recipe seems calculated to sound the deathknell of a free economy.

Political Barriers to Progress

There are measures which would be calculated to increase growth, but these measures are not politically popular. It is a matter of common observation that the countries which "plow back" large shares of output into investment have the fastest rate of growth. Germany is a good example of a country that is investing much and growing fast, while Great Britain shows the opposite trend in both respects. The American practice of high graduated direct income taxation is not favorable to growth, because it siphons off for federal, state, and local government needs much of the capital that would otherwise be available for reinvestment.

The huge annual expenditure on subsidies and storage charges for the supposed benefit of the farmers is an example of misdirection of financial resources. If this whole fantastic program for the taxation of the whole community for the benefit of one section were swept away, the big farmers who get most of the subsidies would still be able to make a profit, more of the marginal farmers would go into manufacturing and service industries, and large sums of money which are now simply wasted would be available for financing new expansion projects.

Still another aid to growth

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would be the maintenance of a reasonable relationship between wage increases and improvement in productivity. It is the countries where the trade unions have been most restrained and moderate in their demands, Germany and Switzerland, which show the best results in booming foreign trade and full employment.

"Cures" that Kill

But, since economically sound moves are not believed to possess the greatest appeal to voter pressure groups, the danger is that any legislation designed to promote growth may be framed along the wrong lines. It might more or less without conscious intention and desire carry us back to a war economy where price control temporarily and partially offset inflation and the shortages and imbalances in the market were suppressed by rationing of consumers and controls over manpower and materials. This war economy is almost indistinguishable from the Soviet normal peace economy; and this goes far to explain such Soviet progress, lopsided and unbalanced though it is, as has actually taken place. As Henry C. Wallich, Yale economist, member of the President's Council of Economic Advisers, and author of one of the best analyses of the German "economic miracle," says in his stimulating little book, *The Cost of Freedom*:

"If we were prepared to restrict the consumer, control prices, wages, materials, and manpower, and if nothing counted but an increase in output – with the government as the principal customer – we might generate growth enough to outgrow the Russians. *Our economy would also have become so like theirs, however, that the meaning of the competition would have vanished.*" (Italics supplied)

Mr. Wallich goes on to point out that only a dictatorship could operate a centrally controlled economy, run with ruthless disregard of the consumer – a perfect definition, incidentally, of the Soviet economy.

In short, economic growth that is the result of individual investment and normal market demand is both healthy and, if one may judge from past historical experience, quite assured. Efforts to force growth by government action unrelated to real consumer needs and to the volume of genuine savings must be viewed with considerable suspicion and misgiving, as pointing to the introduction of permanent state controls and creeping socialism. ◆

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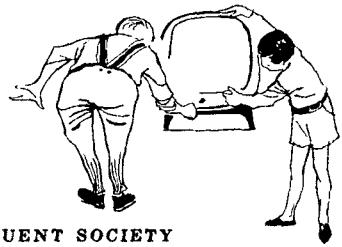

THE NEW FRONTIERSMEN

or — PIONEERING FOR THE AFFLUENT SOCIETY

It was a chilly afternoon
At story-telling time.
Old Kaspar turned his collar up
And spiked his rum-and-lime,
While Peterkin and Wilhelmine
Warmed up the metaphoric screen.

They saw a path that stretched away
Across the hills and plains,
Where men with burdens on their backs,
And many wrapped in chains,
Were plodding silently along
Without a spoken word or song.

"Is that a gang of foreign slaves?"
Cried little Peterkin.
"They're builders of the New Frontier,"
Said Kaspar with a grin.
"They're off to scale the distant heights
And pioneer unknown delights."

"Those men in chains," said Wilhelmine,
"They don't look very spry."
"Those chains are union working rules
To keep employment high.
A man unchained might go astray
And work enough to earn his pay."

"What's in the loads," asked Peterkin,
"They carry on their backs?"
"It's shares of mounting public debt
And soaring payroll tax.
They've fallen heir to all the weight
Of paying for the Welfare State."

"Will they get rich," asked Wilhelmine,
"Upon the New Frontier?"
"The chance for that," Old Kaspar said,
"Gets smaller every year.
The Planners hold that private wealth
Is bad for economic health."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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The United Nations: PEACE or PERIL?

DARRYL W. JOHNSON, JR.

A. Devaney, Inc.

THE FACTOR of communism in the United Nations is of major importance and cannot be ignored. *Time* magazine referred to Leo Pasvolsky, a Czarist Russian, as the "architect of the UN Charter."[1] Alger Hiss, top Communist in the State Department, was the first Secretary General of the UN and Director of the office which initiated American policy on UN questions and serviced the American delegation to the UN.[2] Trygve Lie, in his book, *In the Cause of Peace,* describes the deal made by Hiss and Molotov whereby the Secretary Chairman of the UN Security Council (the oft-called "military head" of the UN) will always be a Communist.

Dr. Anthony Bouscaren, as chairman of the Department of Political Science, Marquette University, pointed out that during the Korean War, "more UN members helped the communist enemy than helped the Republic of Korea."[3]

The United Nations Security Council resolution of July 7, 1950, (United Nations Document S/1588) requested the United States to provide the Security Council

[1] *Time,* May 18, 1953.

[2] Report: "Interlocking Subversion in Government Departments" (Internal Security Subcommittee, 1953) p. 9. This report also lists other top Communists in the UN and in the U.S. State Department and shows the remarkable extent of their influence.

[3] "Speeches, Findings and Resolutions: Congress of Freedom, Inc." 1955, p. 99.

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with reports on the course of action taken under the unified command, a request with which the United States complied.

No wonder General Stratemeyer could say, "We were *required* to lose the Korean War."[4]

No wonder Professor Salvador de Madariaga could state that "the UN Organization bore upon its brow from the very beginning the mark of Moscow."[5]

The last part of an editorial in the Los Angeles *Evening Herald Express* of January 9, 1954, sums it up nicely: "Stalin first appointed Arkady Sobolev [to UN Security Council] who demanded the firing of MacArthur. He was succeeded by Konstantin Zinchenko, who chose a notorious Red espionage agent for his first assistant. Last July [1953] the post was given to Ilya Chernyshev, another Red. MacArthur and Van Fleet had to confide their plans to these Reds. That's why we lost the Korean War. That's why our casualties were the highest per month of any war in American history."

But while the Korean War was a great tragedy, both in American and UN history, communism in the UN is not a necessary factor in condemnation of the UN approach to peace. The UN would be just as bad if the charter had been written by George Washington, although it would have been impossible for Washington to have written anything differing so violently with the United States Constitution, both as to letter and as to spirit.[6]

Any student of the history of liberty and the rule of law will not need detailed discussion to convince him that the UN way is the wrong way – he will feel it in his bones.

Scholarly Views

Detailed discussion is provided, however, in two new books: *The Humane Economy* by Professor Wilhelm Roepke, published with the assistance of the Institute for Philosophical and Historical Studies,[7] and *The Constitution of Liberty* by Dr. Friedrich A. Hayek of the University of Chicago.[8] Neither of these books is directly concerned with the United Nations, but rather with problems of freedom and government in general. As such, however, certain

[4] *Hearings*, "Interlocking Subversion in Government Departments" (Internal Security Subcommittee, 1954) Parts 21-27, which include testimony of Stratemeyer, Van Fleet, Clark, Almond, and Joy.

[5] *Victors Beware*, London, 1946. p. 270.

[6] For an exposition of these differences, consult *The United Nations* by Dr. Orval Watts. New York: Devin-Adair Co., 1955.

[7] Chicago: Henry Regnery Company, 1960.

[8] University of Chicago Press, 1960.

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passages are indeed pertinent, and indicate that the UN was much in mind when they were written.

The Case for Decentralization

Roepke sees today's key ideological struggle as one between "centrism and decentrism," and contrasts those who are attracted toward collectivity (centrists) with those who are attracted to the members which compose it (decentrists). "The former," says Roepke, "look at the structure of society from the top downwards, the latter from the bottom upwards. The first seek security, happiness, and fulfillment in the subordination of the individual and the small group to a deliberately and strictly organized community, which, from this point of view, is all the more attractive the larger it is; the others seek these benefits in the independence and autonomy of the individual and the small group." Roepke develops and defends the decentrist approach. He spends considerable time showing the necessary parallel between all "centralized" approaches to peace and socialism; and, in a specific reference to the direction the UN is taking, states that "the shining peak in the distance is the international welfare state . . ."

It is unusual to find someone advocating DEcentralization as a solution to many of the world's problems, yet this is the only solution consistent with a regard for individual differences and with the fact of America's unique success in this area.

Hayek, who develops his points beautifully, classifies the "inability to conceive of an effective coordination of human activities without deliberate organization by a commanding intelligence" as part of the "opposition to a system of freedom under general laws. . . ." Yet how frequently we find people who cannot visualize any way toward peaceful organization except the UN way! Hayek makes his point clear in the second chapter: "To turn the whole of society into a single organization built and directed according to a single plan would be to extinguish the very forces that shaped the individual human minds that planned it. . . . We are not far from the point where the deliberately organized forces of society may destroy those spontaneous forces which have made advance possible."

The Rule of Law

Nowhere has the principle of the rule of law been so highly developed as in the United States under the Constitution. To preserve that principle here in the United States is a tough job, but

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the attempt to establish it in the UN is sheer folly. The Charter, following the Russian pattern, concerns itself with many liberties. Yet, as Hayek points out, freedom is indivisible, and "liberties" appear only when "liberty" is lacking. "Constitutionalism," he says, "means that all power rests on the understanding that it will be exercised according to commonly accepted principles. The rule of law is therefore not a rule of the law, but a rule concerning what the law ought to be, a meta-legal doctrine or a political ideal. . . . the ideal of the rule of law presupposes a very definite conception of what is meant by law."

Is there anything more incongruous than communist and socialist nations which, as Hayek documents, have always *denied* the rule of law, sitting down with the United States and other Western powers to *form* the rule of law? As the sharpest of contrasts to the Constitutional concept whereby everything is permitted which is not specifically prohibited Hayek poses the Russian concept which "represents an attempt to found the state on *principles* which are the very opposite of those of the rule of law," and where "everything is prohibited which is not specially permitted." The United States can ill afford to compromise with any other nation its principles concerning the rule of law.

The entire "from the top down" approach to law is wrong. In a note to chapter ten Hayek quotes from an American Bar Association Report of 1890: "Law is not a body of commands imposed upon society from without, either by an individual sovereign or superior, or by a sovereign body constituted by representatives of society itself. It exists at all times as one of the elements of society springing directly from habit and custom. It is therefore the unconscious creation of society, or in other words, a growth." "It is," as Hayek says, "the acceptance of common principles that makes a collection of people a community. . . . If people were not at most times led by some system of common ideas, neither a coherent policy nor even real discussion about particular issues would be possible."

Nothing in Common

What "coherent policy" may be ascribed to the UN? How much "real discussion" goes on? Is it not obvious that there must be unity of basic ideals before physical "togetherness" in the UN can be anything but hypocrisy? (A delegate from an African "nation," who may barely understand the word government, has an equal

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voice with the U.S. delegate. And, as the General Assembly is presently constituted, delegates representing 5 per cent of the earth's population can carry the day against the other 95 per cent.) Is it not obvious that the United States and the free world gain nothing by their verbal victories over the communist bloc in the UN dream world when, in the meantime, the Communists are permitted to secure victories of a more concrete nature in the world of reality?[9]

It may be that the UN focuses the "burning fire of world opinion" on wrong doers, but what good did this "burning fire" do for the people of Czechoslovakia, Rumania, Bulgaria, Hungary, or Tibet?

Exchange of technological information, emergency relief for starving children, and the like, have all been provided long before the UN came into existence; and private aid continues to this day. The UN and "government to government" approaches merely tend to subsidize socialism, as they promote, not *internationalism,* but *intergovernmentalism.* But the main point is that aid of this kind is a problem in the exercise of responsibility, about which Hayek states, "Freedom demands that the responsibility of the individual extend only to what he can be presumed to judge. . . . Responsibility, to be effective, must be individual responsibility. In a free society there cannot be any collective responsibility. . . . As everybody's property in effect is nobody's property, so everybody's responsibility is nobody's responsibility. . . . we cannot expect the sense of responsibility for the known and familiar to be replaced by a similar feeling about the remote and the theoretically known."

Perhaps now we can understand former UN Assembly president Madame Vijaya Lakshmi Pandit's remarks concerning the UN Charter: "We don't cry at the Charter any more — we laugh at it. It has been interpreted, misinterpreted, and explained. It is the one thing all of us can hide behind when we do not want to fulfill our obligations, and that is not the way to peace."[10] Thus the debilitating philosophy of "Let George do it" has given way on an international scale to "Let the UN do it."

"Distributive Justice"

The United Nations' concern

[9] Walter Lippman recognized this in the *Miami Herald,* August 28, 1960, when his editorial stated: "Those who regard the problem of standing up to the Russians as standing up to them in debate do not understand the problem of standing up to the Russians."

[10] Bromfield, Louis. *A New Pattern for a Tired World.* New York: Harper & Bros., 1954. p. 247.

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with "distributive justice" and "underprivileged nations" is interesting. "Distributive justice," says Hayek, "requires an allocation of all resources by a central authority; it requires that people be told what to do and what ends to serve." And Roepke reminds us that "what is given to the one must be taken from the others, and whenever we say that the state is to help us, we are laying a claim to somebody else's money, his earnings or his savings."

If a nation wishes to acquire the capital necessary for raising its standard of living, it may either tighten its own belt or adopt antisocialist governmental policies which will attract foreign capital. Unfortunately, as Roepke states, most nations are unwilling to do either one. They have in mind "not the legitimate but the unlawful and revolutionary aspects" of equalization. "The idea," says Roepke, "is tempting and as such is by no means new. We met it twenty or thirty years ago in the Fascist and Nazi catchwords of the haves and the have-nots. We remember the violence with which Mussolini launched what he called the class struggle of the proletarian peoples against the satisfied and possessing peoples, and the Nazis demanded living space for themselves."

Furthermore, inequality itself plays an important part in the advance of civilization. Hayek states, "There can be little doubt that the prospect of the poorer, 'undeveloped' countries reaching the present level of the West is very much better than it would have been, had the West not pulled so far ahead. Furthermore, it is better than it would have been, had some world authority, in the course of the rise of modern civilization, seen to it that no part pulled too far ahead of the rest and made sure at each step that the material benefits were distributed evenly throughout the world." Surely this is telling commentary on many of the UN objectives.

A Lack of Purpose

The fine books herein quoted are but two of a vast number available which paint a picture of peace and progress through voluntarism, not compulsion; through DEcentralization, not centralization – and they show that, in fact, peace cannot be achieved any other way. Peace and progress are built from the bottom up – not from the top down. Yet the scope of activity under the present UN Charter is monolithic and practically infinite. It is not *power*, but *purpose* which the UN lacks.

How the UN can grow in power while its charter remains the same is a long subject for another

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time, but it is significant that Russia has voted *for* the new powers given to Mr. Hammarskjold. With the large number of new nations admitted and scheduled for admission to the UN, Russia's power will grow. Needless to say, no communist nation has ever accepted the compulsory jurisdiction of the International Court, either with or without reservation, although it is conceivable that the number of communist judges will increase sufficiently, in time, to make this possible.

Politics and peace just don't mix, and the UN is the most political of all possible organizations. The political character of the UN is something of which Mr. Hammarskjold is well aware.[11]

We Are at War

One possible way to peace might be to win the war. This indeed involves acceptance of the fact that *we are in a war,* but it would be hard to find more evidence of this fact than that already available. Just browse through some old, or recent, copies of *Life, Time, Newsweek,* or *U. S. News & World Report,* noting merely headlines and subheadlines. For instance, from *U. S. News and World Report,* we have the following: December 21, 1955–"1947 to 1955–World War III, Russian Style. Who is winning? Russians have been waging war against the West for nearly ten years. They were winning four years ago, are doing even better now. Immense areas of the world have fallen under Soviet control. Other areas, vital to noncommunist world, are tottering. All of this has been accomplished without the Soviet Army's firing a shot. Yet it is a real war. It is World War III, Russian style." June 15, 1956 – "Here Is What Reds Have Done To Violate Armistice In Korea." October 3, 1958 – "Today's War – How The Reds Are Operating In 72 Countries."

To emphasize the hypocrisy of the UN, remember that the Charter solemnly states: "All members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any member state, or in any other manner inconsistent with the purposes of the United Nations." When will people stop evaluating the UN on the basis of its principles and start evaluating it on the basis of how well it is suited to realize those principles?

How can anyone say the UN is the way to peace? Since the UN was founded the Communists have

[11] "Hammarskjold: Have Troops, Will Travel." *National Review,* Aug. 27, 1960. p. 109.

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made satellites of Czechoslovakia, Hungary, Rumania, and Bulgaria, and have precipitated the following major wars, which they either won and established control, or utilized to secure important footholds: Indonesian War, Chinese Civil War, Malayan War, Philippine Civil War, Indochina War, Greek Guerilla War, Korean War, Guatemalan Revolt, Algerian War, Hungarian Suppression, Formosa Straight Conflict, Indonesian Civil War, Cuban Civil War, and Tibetan Revolt.[12]

The list of minor conflicts is too lengthy to present, and it grows every day. To date, Russia has shot down twelve American planes, practically all over international waters, with a loss of 67 American lives.[13] One wonders how bad things can get before we face the facts and stop hamstringing ourselves in UN debate. How can the world follow God and act toward peace when such action is subject to veto by an atheist power bent upon world domination? The objective of checking the communist advance can never be, and has not been, carried out under the United Nations.

Winning a war, however, is no guarantee that peace will be preserved, or even that peace will be an objective. This is not to recommend unilateral disarmament (or atomic test bans), which is suicidal, but rather to state the obvious fact that a nation must know what it is *for* as well as what it is *against*.

When the Kaiser waged war, we whipped him. But it did not bring peace. When Hitler waged war, we whipped him. But it did not bring peace. Now Khrushchev is waging war, and we sit down with him at the conference table and give him nine votes to our one.[14] This, of course, is not bringing peace either.

Peace Begins at Home

Is it not possible that the UN's lack of purpose is but a reflection of the lack of purpose of the nations which comprise it? It is indeed true that we may be unable to purge the world of communism until we purge ourselves of communism and Communists here in the United States. But it is equally important and far more basic to purge *ourselves* as *individuals* of collectivist tendencies generally.

International disorganization is but an outgrowth of personal disorganization. Peace is not built from the top down but from the

[12] Consult *Protracted Conflict*. New York: Harper & Bros., 1959. Released by the Foreign Policy Research Institute of the University of Pennsylvania.

[13] *U.S. News & World Report*, July 25, 1960.

[14] Including six satellites.

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bottom up. The beauty of decentralized government, as an approach to peace and harmony generally, lies in its emphasis upon the inescapable fact that "society" never improves along *any* lines except as *individuals* improve. We have all heard that "charity begins at home," and this is equally true of peace.

Through this approach a man tends not to the affairs of distant millions, which are beyond him, but to his own affairs, which are within his powers; he aids not the unknown masses, but his neighbor in need next door; he attempts not to govern the world, but to govern himself and his local community – for the man who can govern the world does not exist.

This approach conflicts with much that is said today about the necessity of assuming our "world-wide" responsibilities. The answer is that the only way for the "world" to assume "its" responsibilities is for each *individual* to assume *his* responsibilities. There is no other way.[15]

To this end we must learn to avoid the inherent immorality and antagonism of socialism and collectivism generally. Collectivism cannot be checked abroad while it is embraced at home. We must learn more of the inherent morality and harmony of the free market. We must learn more of the spiritual bases of liberty and their expression in the United States Constitution.

There are two quotations pertinent to this end, the first by G. K. Chesterton and the second by Emerson:

"Christianity has not been tried and found wanting; it has been found difficult and not tried."

"Nothing can bring you peace but yourself. Nothing can bring peace but the triumph of principles."

We, as a country, must learn what we are *for*. And when I say "as a country," I include *you*, and *me*. ◆

[15] This whole topic is beautifully developed by Mr. Lipscomb in an article entitled "How to Win a War" in THE FREEMAN, August, 1960.

IDEAS ON LIBERTY

The Personal Practice of Freedom

FREEDOM RESTS, and always will, on individual responsibility, individual integrity, individual effort, individual courage, and individual religious faith. It does not rest in Washington. It rests with you and me.

ED LIPSCOMB

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That Extra Mile

George D. Scarseth

Today we can overcome gravity, make stars in the spaces of the universe, create energy out of a grain of sand, cure tuberculosis, prevent polio, breed cows from dead bulls, see beyond the clouds, use hormones to make a male or female out of a fertilized egg, cause insects to destroy their own race, drop a bomb on a target on the other side of the world, speak into a box and be heard and seen by billions, control the evolution of a superior seed, improve soils by using them, cover the earth with food – and so on and on, with each day bringing forth new magic. Miracles have become commonplace.

Tomorrow, we cover the earth with more people, more masses of a creature who can become a master of his emotions and his destiny or a slave to his stupidity.

The stakes are high. The issues are a matter of happiness or woe. The solutions start with every person.

The time for man to awaken to his own dormant potentials is *now*. This refers not to someone else, to any special social, industrial, or political group, but to you and to me as individuals. We are the cells that make up the whole body of man's institutions.

Each of us carries in his bloodstream of inheritance, the genes of the great and of the misguided. We can call on our good genes to help us grow, and work to cover the bad ones.

The common man is common only when he sleeps. When he is awake he can observe and learn. The big difference between people is what they do with their time when awake. This becomes the key to every person's tomorrow.

The most extraordinary phenomenon of creation is growth. Our physical growth is largely a matter of inheritance and influenced by environment. We grow to become Homo sapiens (man), zea mays (corn), or a million different

Dr. Scarseth is Director of Research, American Farm Research Association, West Lafayette, Indiana. This article is from an address of July 15, 1960 to the Annual Research Conference at Michigan State University.

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species of growing physiological types by the background of genetics. All these physical growth features have a definite termination. The growth stops at a certain stage and the species is said to be mature.

Man is the one creature endowed above all other species to be given the extraordinary capacity to grow in intellect and in that indefinable quality we call character and regard for his neighbor.

In man's highest ideal there is even room for the Golden Rule, common to most religions, or to love every man as oneself, even to love and forgive an enemy.

The growth of the cultural attributes of man has no terminal point. There is no one stage in man's life where the growth of his intellectual, cultural, or spiritual life is stopped except by his own indifference, apathy, love of the easy moment, diversion of his time by fruitless interests, and, too often, by living in an environment where little or no high value is placed upon inspiring people to improve themselves.

Never Too Late To Grow in Values

The cheerful note in this attempted analysis of ourselves is that no one of us, not the least of us, has a bottleneck on his opportunity to grow as a worthy person. It should be an inspiration that all growth starts infinitely small.

At no stage in a life need we despair and say, "I'm too old to learn, to grow, to be more than I now am." The choice is truly one of your own making. Nobody is a worse enemy of yours than yourself. You are the one who signs your own death warrant in the growth of your character and your services to mankind as an important person.

Some 300 years ago, John Milton was turning blind, and he cried out in despair that his life was half spent and he was becoming blind before he had served his God. Then patience whispered, "God does not need either man's work or his own gifts." Yet, it was this burden on Milton that caused him to do all his thinking and writing and to become an immortal inspiration to all who "best bear their mild yoke as they serve Him best."

The remarkable part about growth in all life species is that when physical maturity is reached, a cycle is finished. This is not true of man's spiritual qualities – here growth has no end.

But this is today – the age of things, things to make life easier and longer. We can make more things than we can consume. We chase happiness by going into

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debt personally and as a nation, seeking to find happiness in having more things.

As Dorothy Thompson said (*Ladies Home Journal,* June 1960) our "sole aim of life becomes personal security, personal pleasure, personal success, personal self-indulgence."

But all these self-seeking goals are not the ingredients which made America the miracle it is.

That Extra Mile Has Rewards

Many made sacrifices as individuals along the path of our history in a response to duty beyond call. Many gave all in the dramas of wars to keep us a free people.

In the humdrum of daily life no great issue calls us to go the extra mile. We look at those who "get more" than ourselves. We seldom look the other way to see that most people, even to a billion or more, have less and not even a chance to better themselves.

I live in a beautiful house which is my own home and sleep under an electric blanket when it's cold, and cool my house with another electrical something when it's too hot. About 40 or more electrical motors (counting those in the clocks) are my servants. We have a spare bedroom for guests in case you come to visit us.

None of this is free, and you can have all of it before I'll give up the system which made it possible to earn what this requires.

But these material things came by the simple rule of going an extra mile where only one mile was asked. This included going through much so-called swampy land before the dry ground and the hilltop were reached. These swamps were often disheartening, but with perseverance, sincerity, attention to duty, with an extra measure frequently thrown in, the land became firmer, and so did the spirit.

Two distasteful dishes frequently became the fare. One was to "eat crow" to correct an error so as to be right, and the other was to forget one's own self-importance and not take oneself too seriously. These dishes have a way of improving in flavor after a bit of experience.

Out of all these material gains none compares to the greater gain in finding that life is more than the bread and bed. This is what America stands for. There was much reward outside of material gain in the pioneer life of our forefathers. To be a good neighbor was rewarding. To be a responsible citizen brought recognition. The secret of our very successful youth agencies such as the Boy Scouts, the 4-H Clubs, the Future Farmers, and similar organizations may be that they rec-

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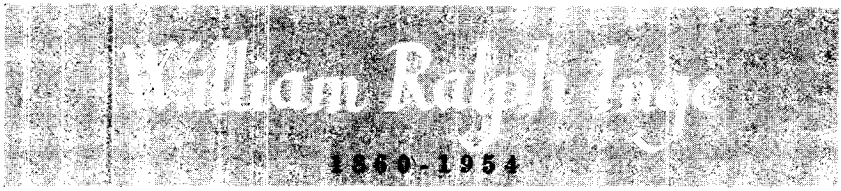
ognize the worthiness of any achievement or the extra mile of any individual.

In a government-controlled system much of this may be lost, because why go an extra mile when some get rewards just because they exist as numbers? This is why we do not want a system of government where the State and its agents make the rules. But to avoid such an order for the masses, we must each of us become individuals who make it a part of our character to go the extra mile on every road and do every task beyond the call of duty, not just for a state or organization or institution or company, but for much more than these: – for the dignity of man and his chance to be worthy of being free to choose.

The reward for the extra miles may come in promotions and increased pay, but more than such remunerations will be the compensation that will come out of the growing inward satisfaction and the respect and love of our neighbors. These gains must be earned.



EDMUND A. OPITZ

THE LIFE of William Ralph Inge, late "gloomy dean" of St. Paul's Cathedral, spanned ninety-four years of the past one hundred. He died in 1954, twenty years after retiring from the post known as the scholar's pulpit in the Church of England. For more than half a century Inge was a leading figure in the intellectual and spiritual life of England. His first major work appeared in 1899, the Bampton Lectures, published as *Christian Mysticism.* Fifty-four years later Inge was asked to revise his book, *England,* and write a new preface for the third edition. He accepted the assignment, writing to Sir Ernest Benn, the publisher, "I am very feeble, at 92, but I hope not quite imbecile." Indeed he was not, as his brilliant ten thousand word essay proved.

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education.

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In the same year he contributed a foreword to *Advance to Barbarism* by F. J. P. Veale, a sobering account of modern civilization's lurch toward savagery in World War II and its aftermath.

Between his first published work and his last this somber figure produced a steady succession of books, essays, lectures, and sermons. He earned the grudging respect accorded men of the cloth by the academic community for works of monumental scholarship – such as his definitive two-volume account of *The Philosophy of Plotinus,* the Gifford Lectures of 1917-18 – and he reached a general audience as well. During the twenties he invaded the field of journalism with weekly newspaper articles which made his name and face familiar to the man in the street. He had something to say on a variety of subjects, and was gifted with a superb literary style – clear, caustic, and witty. His newspaper pieces were collected in four books which even now may be read with pleasure.

But despite Inge's involvement in the intellectual, religious, and literary currents of the past fifty years, he was never completely at home in any of them. He was too much his own man – and God's – ever to become a popular figure, and he possessed too much reserve to become the champion of any party or movement. In religion, in philosophy, and in politics he belonged to schools sanctioned by the great tradition, but increasingly repudiated in the twentieth century. He was out of step with his times, but it was only because he heard the rhythm of a more distant music. Dedicated to the truth, he was a lifelong witness on behalf "of lost causes, and forsaken beliefs, and unpopular names, and impossible loyalties" – to borrow Arnold's words about Oxford. How many scientific theories espoused during this century are now extinct! How few schemes of political and economic reconstruction have survived this turbulent era! Numerous philosophies have had their short vogue and are no more. But Inge's writings have a curiously contemporary ring. They are not dated.

The world and Inge were headed in different directions and the breach between the two widened with the years. The tides of unreason and insanity all but blotted out the landmarks he had laid down. By the time of his death, Inge had pretty much outlived his popular reputation, and the memorial service at St. Paul's was attended mostly by elderly people, friends of earlier days.

Inge was, by temperament, a shy scholar, inheriting from his mother's people, he wrote, "the

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faculty of being silent in several languages." But the deanship was thrust upon him in 1911 and he became a reluctant public figure. He was a high ranking ecclesiastic, but no organization man. "Christ came among his countrymen as a layman," he wrote, "preaching a lay religion." Religion is not, in its essence, churchgoing, philanthropy, or ritual — important as these things are — but "the thirst for God, and its satisfaction." Some of Inge's contemporaries interpreted "lay religion" to mean Christian Socialism. Not Inge, who fought a lifelong battle on this front, scoring Christian Socialists as "black-coated advocates of spoliation." This did not mean, however, that he urged a turning away from life and its concerns in order to find God. *Christian Ethics and Modern Problems* is one of his major works. It is the fruit of a lifetime of effort to apply religious insights to the everyday perplexities which bedevil our age: war, unemployment, statism, and so on.

Inge was a stanch Christian Platonist at a time when his fellow philosophers were turning from idealism to pragmatism to positivism to existentialism or whatever. His fellow theologians were trying to recover a purer Biblical religion by eliminating the Greek elements from Christianity, while Inge, a master in Greek studies, stoutly maintained that "the Christian Church was the last great creative achievement of classical culture." People who appreciated Inge's high regard for mysticism and the inner life were dismayed by his equal concern for the historic faith and the institutions of religion. He defended reason in religion and in life, but his defense pleased neither the simple rationalists nor those who put private revelations or feelings ahead of thinking. Inge was, in short, a man who fit none of the usual categories. He was that rare kind of rebel who may exemplify, in his rebellion, the best and rarest qualities of a nation or a religion. ◆

IDEAS ON LIBERTY

Henri-Frederic Amiel

IF LIBERTY is to be saved, it will not be by the doubters, the men of science, or the materialists; it will be by religious convictions, by the faith of individuals who believe that God wills man to be free but also pure.

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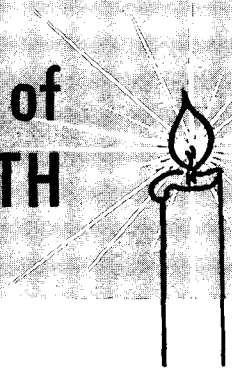
The Power of TRUTH



COUNT LEO N. TOLSTOY

THE POWER of the government is maintained by public opinion, and with this power the government, by means of its organs – its officials, law courts, schools, churches, even the press – can always maintain the public opinion which they need. Public opinion produces the power, and the power produces public opinion. And there appears to be no escape from this position.

Nor indeed would there be, if public opinion were something fixed, unchangeable, and governments were able to manufacture the public opinion they needed.

But, fortunately, such is not the case; the public opinion is not, to begin with, permanent, unchangeable, stationary; but, on the contrary, is constantly changing, moving with the advance of humanity; and public opinion not only cannot be produced at will by a government but is that which produces governments and gives them power, or deprives them of it. . . .

No feats of heroism are needed to achieve the greatest and most important changes in the existence of humanity; neither the armament of millions of soldiers, nor the construction of new roads and machines, nor the arrangement of exhibitions, nor the organization of workmen's unions, nor revolutions, nor barricades, nor explosions, nor the perfection of aerial navigation; but a change in public opinion.

And to accomplish this change no exertions of the mind are needed, nor the refutation of anything in existence, nor the invention of any extraordinary novelty; it is only needful that we should not succumb to the erroneous, already defunct, public opinion of the past, which governments have induced artificially; it is only needful that each individual should say what he really feels or thinks, or at least that he should not say what he does not think.

And if only a small body of the people were to do so at once, of their own accord, outworn public

These passages are selected from Count Tolstoy's essay on *Patriotism and Christianity* written in 1894.

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opinion would fall off us of itself, and a new, living, real opinion would assert itself. And when public opinion should thus have changed without the slightest effort, the internal condition of men's lives which so torments them would change likewise of its own accord. . . .

Thought and Its Expression

The governments know this, and tremble before this force, and strive in every way they can to counteract or become possessed of it.

They know that strength is not in force, but in thought and in clear expression of it, and, therefore, they are more afraid of the expression of independent thought than of armies; hence, they institute censorships, bribe the press, and monopolize the control of religion and of the schools. But the spiritual force which moves the world eludes them; it is neither in books nor in papers; it cannot be trapped, and is always free; it is in the depths of consciousness of mankind. The most powerful and untrammeled force of freedom is that which asserts itself in the soul of man when he is alone, and in the sole presence of himself reflects on the facts of the universe, and then naturally communicates his thoughts to wife, brother, friends, with all those with whom he comes in contact, and from whom he would regard it as sinful to conceal the truth.

No milliards of rubles, no millions of troops, no organization, no wars or revolutions will produce what the simple expression of a free man may, on what he regards as just, independently of what exists or was instilled into him.

One free man will say with truth what he thinks and feels amongst thousands of men who by their acts and words attest exactly the opposite. It would seem that he who sincerely expressed his thought must remain alone, whereas it generally happens that everyone else, or the majority at least, have been thinking and feeling the same things but without expressing them.

And that which yesterday was the novel opinion of one man, today becomes the general opinion of the majority.

And as soon as this opinion is established, immediately by imperceptible degrees, but beyond power of frustration, the conduct of mankind begins to alter.

Whereas at present, every man, even if free, asks himself, "What can I do alone against all this ocean of evil and deceit which overwhelms us? Why should I express my opinion? Why indeed possess one? It is better not to re-

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flect on these misty and involved questions. Perhaps these contradictions are an inevitable condition of our existence. And why should I struggle alone with all the evil in the world? Is it not better to go with the stream which carries me along? If anything can be done, it must be done not alone but in company with others."

And leaving the most powerful of weapons – thought and its expression – which move the world, each man employs the weapon of social activity, not noticing that every social activity is based on the very foundations against which he is bound to fight, and that upon entering the social activity which exists in our world every man is obliged, if only in part, to deviate from the truth and to make concessions which destroy the force of the powerful weapon which should assist him in the struggle. It is as if a man, who was given a blade so marvelously keen that it would sever anything, should use its edge for driving in nails. . . .

Let the government keep the schools, Church, press, its milliards of money and millions of armed men transformed into machines: all this apparently terrible organization of brute force is as nothing compared to the consciousness of truth, which surges in the soul of one man who knows the power of truth, which is communicated from him to a second and a third, as one candle lights an innumerable quantity of others.

The light needs only to be kindled, and, like wax in the face of fire, this organization, which seems so powerful, will melt, and be consumed. ◆

IDEAS ON LIBERTY

Education for Privacy

WE ARE LIVING in a world and in a time when powerful leaders with millions of fanatical followers are committed to the forcible regimentation of their fellow men, according to formulas which have no initial authority but that of their own private dogmatism. They not only refuse to recognize the right of private thought and personal conscience to be considered in the management of public affairs, but they have abolished the concept of the individual as a private personality and have reduced him to the level of the bee in the hive. To restore the individual to his former dignity as a human being is the urgent need of the day.

MARTEN TEN HOOR

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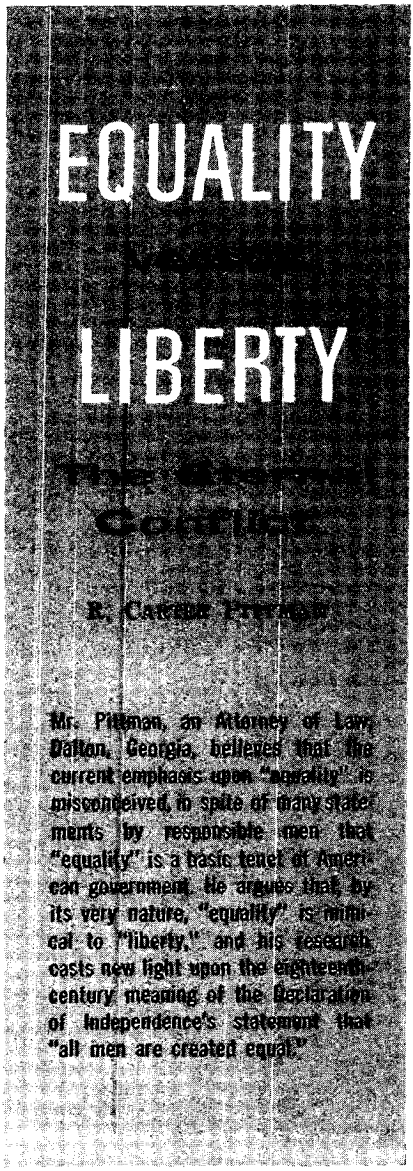

Mr. Pittman, an Attorney of Law, Dalton, Georgia, believes that the current emphasis upon "equality" is misconceived, in spite of many statements by responsible men that "equality" is a basic tenet of American government. He argues that, by its very nature, "equality" is inimical to "liberty," and his research casts new light upon the eighteenth-century meaning of the Declaration of Independence's statement that "all men are created equal."

NO ONE questions the right of all men to equal justice under law, but propagandists have carried the doctrine beyond equality of rights to equality of things, and men are heard to proclaim human equality who would revolt at the suggestion that all birds, all fish, all cattle, all dogs, or all race horses are equal. Of course, all men are *not* created equal any more so than are all other members of the animal kingdom. Even if they are *created* equal, creation ends when life begins, and life is always unequal. Nevertheless, we are told over and over again and again that all men are equal, and the Declaration of Independence is cited as final authority.

The Declaration of Independence never became living law in America, and no provision of the federal Constitution or Bill of Rights can be traced to it; its influence on state constitutions and bills of rights has been insignificant. It was written to serve the temporary purposes of a sanguinary conflict. It was and perhaps will ever be history's most effective piece of propaganda, but it neither grants nor protects human rights.

The first paragraph of the Declaration speaks of the necessity "for one people . . . to assume . . . the *separate and equal* station to which the laws of nature . . . en-

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title them," thus reaffirming the *separate and equal* station doctrine established by nature under which all great people have progressed throughout history. Then follows, "all men are created equal," equating "one people" with "all men" and "created" with "laws of nature." No one who helped to write it or who voted to adopt it ever asserted the doctrine of human equality either before or after July 4, 1776, but the Declaration of Independence, like the Constitution, has "taken on new meaning" by the application of "new philosophy" and "modern authority."

At about the time when Thomas Jefferson, Benjamin Franklin, John Adams, Robert Livingston, and Robert Sherman were named as a committee to write the Declaration of Independence, to accord with instructions from the Virginia Convention, which met in May 1776, George Mason's original draft of the Virginia Declaration of Rights was a popular subject of conversation in Philadelphia and all over America. A draft of ten paragraphs of Mason's original was mailed to Richard Henry Lee by T. L. Lee from Williamsburg on May 25. It is among the *Mason Papers* in the Library of Congress at this time. The original was extended by Mason into the committee draft in eighteen paragraphs and was reported on May 27 and published in Dixon's *Virginia Gazette* of June 1. It was published in Philadelphia newspapers on June 6, June 8, and June 12 of 1776. It was published and republished in newspapers and magazines all over America and in England.

Jefferson, to whom was assigned the task of writing the preamble to the Declaration of Independence, took the first three paragraphs of Mason's original draft of the Virginia Declaration of Rights and rearranged and rephrased them to make a Preamble for the Declaration of Independence.

The preamble for the proposed Virginia Declaration of Rights as published stated that it was "the basis and foundation" of government in Virginia. Its first paragraph was:

> That all men are born equally free and independent and have certain inherent natural Rights, of which they cannot, by any Compact, deprive, or divest their Posterity; among which are the Enjoyment of Life and Liberty, with the Means of acquiring and possessing Property, and pursuing and Obtaining Happiness and Safety.

The Virginia Convention, before officially adopting Mason's original or the committee draft, changed the first paragraph to read:

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That all Men are by Nature equally free and independent and have certain inherent Rights of which when they enter into a State of Society, they cannot, by any Compact, deprive or divest their Posterity; namely, the Enjoyment of Life and Liberty with the Means of acquiring and possessing Property, and pursuing and obtaining Happiness and Safety.

Jefferson never saw that version until he returned to Virginia long after the Declaration of Independence was adopted. Jefferson's rendition from the Mason original was:

That all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness.

Equality Ends at Birth

So the "basis and foundation" of the first free government in America was *equality of freedom and independence,* while the Jefferson perversion was *equality at creation.* The Declaration of Independence does not say that all men are equal. It says that they were *created* equal. There equality ends.

When the United States Constitution was under discussion at the Philadelphia Constitutional Convention in 1787 not one delegate from any of the twelve states represented suggested that "all men are equal" either at creation or in life. On June 26, 1787, on the floor of the convention Alexander Hamilton, the patron Saint of the Republican Party, said:

Inequality will exist as long as liberty exists. It unavoidably results from that very liberty itself.

Apparently every mind in the Convention assented, because not a word may be found in all the *Notes of Debates* to indicate that any delegate believed in the doctrine of human equality in 1787.

So far as we have found, the doctrine of human equality was not suggested by any one in the battle that raged over ratification and a bill of rights.

The Constitution proclaims in its preamble that it was established "to . . . insure domestic tranquility . . . and secure the blessings of liberty." Nowhere does it hint a purpose to insure or impose equality of men or things. The due process clause of the Fifth and Fourteenth Amendments which render life, liberty, and property immune from attack except by the orderly processes fixed by law, insure that American governments may not impose equality.

Lincoln on Equality

In his famous Gettysburg Address in 1863, Lincoln recited

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from the Declaration of Independence in this context:

> Fourscore and seven years ago our fathers brought forth upon this continent a new nation, conceived in liberty, and dedicated to the proposition that all men are created equal.

At the hour when Lincoln made that speech the Declaration of Rights of his home State of Illinois proclaimed in the words of George Mason:

> That all men are born equally free and independent, and have certain inherent and indefeasible rights, among which are those of enjoying and defending life and liberty, and of acquiring, possessing, and protecting property and reputation, and of pursuing their own happiness.

Lincoln's task in 1863 was much like Jefferson's in 1776. Equally they needed a phrase that would arrest the imagination and stir emotions. When Lincoln recited from the Declaration few remembered the phrase. For near a century before 1863 it was seldom mentioned. In 1863 as in 1776 it kindled a flame that spread. It aroused emotions of sympathy. That is the primary reason for and the most powerful result of propaganda. The maxim, "All is fair in love and war," is not alone for Machiavelli.

Only a year before, on August 14, 1862, President Lincoln demonstrated that he was not an equalitarian. Speaking to a large group of Negro delegates in Washington, he said:

> You and we are different races. We have between us a broader difference than exists between almost any other two races.
>
> Whether it be right or wrong I need not discuss; but this physical difference is a great disadvantage to us both, as I think...
>
> Even when you cease to be slaves, you are yet far removed from being placed on an equality with white people. On this broad continent not a single man of your race is made the equal of a single man of ours. Go where you are treated best, and the ban is still upon you. I cannot alter it if I would.... See our present condition — the country engaged in war, our white men cutting one another's throats, and then consider what we know to be the truth. But for your race among us there would be no war, although many men engaged on either side do not care for you one way or the other. It is better for us both, therefore, to be separated.

Views of the Supreme Court

The Declaration of Rights of California, home state of Chief Justice Warren of the Supreme Court, is almost a verbatim copy of the official Virginia Declaration of Rights. It proclaims:

> All men are by nature free and independent, and have certain inalien-

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able rights, among which are those of enjoying and defending life and liberty; acquiring, possessing and protecting property; and pursuing and obtaining safety and happiness.

No member of the Supreme Court can find support for equalitarianism in the fundamental laws of his home state.

The constitutions of the various republics of the world to be found in three volumes of Peaslee's *Constitutions of Nations* reveal that the doctrine of human *equality* has been universally rejected in the constitutions of the noncommunist world. The constitutions of a few communist countries proclaim the doctrine of human equality but none of the living constitutions of free republics, so far as we have found, now proclaim or perpetuate that doctrine.

Thirty-one of the constitutions of the nations of the world contain Aristotle's equality clause, as does Florida, to-wit:

> Equal before the law.

For all men to be "equally free and independent" they must be "equal before the law." There is no such thing as freedom and independence under men. It exists under law or not at all. The Fourteenth Amendment guaranty that no state shall deprive any citizen of "equal protection of the laws," is but another way of expressing man's inherent right to *equality of freedom and independence* under law.

The Communist Kind of "Equality"

The same concept of equality before the law is expressed, sometimes in the words of Mason, and sometimes in the words of Aristotle, and protected by safeguards, in more than seventy of the eighty-three constitutions edited by Peaslee in 1950. Only four contain the concept of cultural, economic, or social equality that Myrdal found to be the "American creed." Those four are Guatemala, the Mongol Peoples Republic, the Ukrainian Soviet Socialist Republic, and the Union of Soviet Socialist Republics.

Mongolia puts it this way: "Equal rights in all spheres of the state, economic, cultural, and sociopolitical."

Russia puts it this way: "Equality of rights of citizens of the U.S.S.R. irrespective of their nationality or race; in all spheres of economic, government, cultural, political and other public activity."

While Russia has partially succeeded in reducing most of her people to the level of degradation approaching cultural "equality," she has been careful not to interfere with the segregation practices and racial *mores* of her people. Even Russian despots have

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more sense than to attempt a thing like that.

In the summer of 1955 Justice Douglas and Robert F. Kennedy, an attorney for a Senate Committee, toured Russia. Mr. Justice Douglas found something he didn't fully tell. Mr. Kennedy spilled it in the *New York Times Magazine* of Sunday, April 8, 1956. Here is a part:

> In every city that we visited there were two different school systems. There was one set of schools for the local children – those of a different color and race from the European Russian children. State and collective farms were operated by one group or the other, rarely by a mixture of both.
>
> Although work is supposedly being done to minimize the differences, many of the cities we visited were still split into two sections, with the finer residential areas being reserved for the European Russians. European Russians coming into the area receive a 30 per cent wage preferential over local inhabitants doing the same jobs. The whole pattern of segregation and discrimination was as pronounced in this area as virtually anywhere else in the world.

A distinguishing feature of communism is that it never practices what it preaches. It always says one thing to distract attention as it does another.

Karl Gunnar Myrdal, whose book, *American Dilemma,* is now *corpus-juris-tertius* and "modern authority" in the Supreme Court's pseudo-socio-law, defined the "American creed," on page 4 of his book, as the "fundamental equality of all men." On pages 4 and 9 he unwittingly copied Hamilton to admit that liberty and equality cannot co-exist because, as he insists, there is an "inherent conflict" between them and "equality is slowly winning." After defining the "American creed" as "the fundamental equality of all men," he says that its

> tenets were written into the Declaration of Independence, the preamble of the Constitution, the Bill of Rights, and into the constitutions of the several states. The ideals of the American creed have thus become the highest law of the land.

He must have known that the federal Constitution and Bill of Rights and those of the states were written "to secure the blessings of liberty" and that neither says a word about securing human equality.

On pages 12 and 13 Myrdal said:

> The worship of the Constitution . . . is a most flagrant violation of the American creed which is strongly opposed to stiff formulas.

On page 18 Myrdal finds judges and lawyers to be anathema to those indoctrinated with the "American creed" saying:

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. . . the judicial order is in many respects contrary to all their inclinations.

Naturally so *because liberty may not exist without a constitution sustained, as written, by an emancipated judiciary selected for learning and honor. Equality* may be established only where the judiciary is so prostituted that it will undermine that which its members take an oath to support.

Why the Declaration Says "Created Equal"

Why did Thomas Jefferson, Benjamin Franklin, and John Adams, the subcommittee that drafted the Declaration of Independence, use a phrase so susceptible to misuse and misconstruction as "all men are created equal"? The answer to that question is partially explained in the *Writings of John Adams*. Prior to 1776 two half-demented philosophers of France, named Helvetius and Rousseau, had maintained that "all men are equal," and had preached "the brotherhood of man." France was saturated with it. That philosophy had caught on with the simple-minded peasants and philosophers of France. Nothing appealed so powerfully to the ignorant French peasants as the doctrine that "all men are equal" or are brothers. To the peasant that meant that *all men are kings*. The slogan was echoed all over France: "Every man a king!" The thought didn't occur to them that if all men are kings, then all might be peasants or slaves.

The Declaration of Independence recites that its purpose was "to enable the states to levy war, conclude peace, contract alliances, establish commerce, and to do all other acts and things which independent states may of right do." Those who wrote it and those who signed it knew that it was written for the principal purpose of bringing France into the Revolution on the side of America. The war had been going on for a full year. America was in an unequal struggle for life over death. Washington had been at the head of America's armies a year before July 4, 1776. Washington's task looked hopeless. Jefferson's task was to win the case for America by writing a powerful preamble that would appeal to the *hearts*—not the minds—of the French people. Since the doctrine of human equality had become a popular creed in France and since Helvetius and Rousseau were the prophets of that creed, Jefferson directed the Declaration at the hearts of the French people by declaring that "all men are created equal."

In their old age Thomas Jefferson and John Adams progressed

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from political rivals to bosom friends. On the thirteenth day of July, 1813, Adams' mind went back to July 4, 1776, when he and Jefferson labored together in Philadelphia. He wrote to Jefferson that day:

> Inequalities of mind and body are so established by God Almighty in his constitution of human nature that no art or policy can ever plane them down to a level. I have never read reasoning more absurd, sophistry more gross, in proof of the Athanasian creed, or transubstantiation, than the subtle labors of Helvetius and Rousseau to demonstrate the natural equality of mankind. *Jus cuique*, the golden rule, do as you would be done by, is all the equality that can be supported or defended by reason or common sense.

About a year later, on the fifteenth day of April, 1814, John Adams wrote to John Taylor of Virginia:

> Inequalities are a part of the natural history of man. I believe that none but Helvetius will affirm, that all children are born with equal genius.
>
> That all men are born to equal rights is true. Every being has a right to his own, as clear, as moral, as sacred, as any other being has. This is as indubitable as a moral government in the universe. But to teach that all men are born with equal powers and faculties, to equal influence in society, to equal property and advantages through life, is as gross a fraud, as glaring an imposition on the credulity of the people, as ever was practiced . . . by the self-styled philosophers of the French Revolution. For honor's sake, Mr. Taylor, for truth and virtue's sake, let American philosophers and politicians despise it.

Equality in France

Much has been falsely written and more has been mistakenly said about the influence of the human equality doctrine of the Declaration of Independence on France. We may not complete the story about America without telling the story of France.

In 1783 Benjamin Franklin translated and prepared for publication a French edition of the Declaration of Independence and all American state bills of rights and constitutions adopted up to that time, including the committee draft of Virginia's Declaration of Rights and Constitution, both written by George Mason – but not the official draft of the Virginia Declaration which Franklin did not have because it was not published in any form for distribution outside of Virginia until well into the 1800's. As is well known, that book greatly influenced the French Revolution. In August 1789, France adopted the celebrated French Declaration of Rights which copied much from those published by Franklin.

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Since Helvetius and Rousseau had been the prophets of the creed of equalitarianism, one would expect the French Declaration of 1789 to have asserted the doctrine that "all men are created equal" as did the Declaration of Independence. But, instead of following Helvetius, Rousseau, or the Declaration of Independence, France rephrased George Mason's original and asserted as the first paragraph of her Declaration language which, when translated back to English, comes out: "men are born and always continue free and equal in respect of their rights." Her Declaration then defines "the natural and imprescriptible rights of man" as " liberty, property, security, and resistance to oppression."

How Power Corrupts

The French Revolution teaches that liberty does not reside in the power of the majority to run the state but it lies rather in the security of a minority from the arbitrary exertion of the majority exercising the powers of the State. In that bath of blood *equality* finally became the revolutionary creed. The nobility was leveled to the middle class and finally the middle class was leveled to the proletarian. The attempt to create a classless society resulted in the complete suppression of liberty. Power now moved smoothly over a level plateau. The promised liberty and freedom of the French people vanished in the dead sea of equality.

In his *Essays on Freedom and Power* (1948 edition), page 154, Lord Acton had this to say about the effects of the doctrine of equality in the French Revolution:

> The deepest cause which made the French Revolution so disastrous to liberty was its theory of equality . . . With this theory of equality, liberty was quenched in blood and Frenchmen became ready to sacrifice all other things to save life and fortune.

Speaking on Charter Day at the University of California on March 23, 1907, Nicholas Murray Butler, President of Columbia University, had this to say:

> The political and social anarchy which Lord Acton described must be the inevitable result whenever the passion for economic equality overcomes the love of liberty in men's breasts. For the state is founded upon justice, and justice involves liberty, and liberty denies economic equality; because equality of ability, of efficiency, and even of physical force are unknown among men.

The American Revolution was kept under control by constitutions that limited power in order to preserve liberty. Virginia's Bill of Rights and Constitution were both written before the Declara-

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tion of Independence. All of the thirteen states immediately followed the example and adopted new governments. The French Revolution went out of control when it subordinated the liberties of men to the power of a government immediately responsive to equalitarian mobs. Unbridled power and liberty are in eternal enmity. As Lord Acton said, "Power tends to corrupt and absolute power corrupts absolutely" and again, "A nation can never abandon its fate to an authority it cannot control."

Free and Unequal

It is *equality of freedom and independence* that gives unto man his opportunity to be rich or poor or to be good or bad. Equality of men leaves no choice, because if all men are equal by nature or inherently, there can be no differences and no distinctions. All have an equal right to stand at the judgment bars of God and man — but all are not entitled to the same judgment. Virtue and depravity are not entitled to the same rewards on earth or in Heaven.

It is inequality that gives enlargement to religion, to intellect, to energy, to virtue, to love, and to wealth. Equality of intellect stabilizes mediocrity. Equality of wealth makes all men poor. Equality of religion destroys all creeds. Equality of energy renders all men sluggards. Equality of virtue suspends all men without the gates of Heaven. Equality of love stultifies every manly passion, destroys every family altar, and mongrelizes the races of men. Equality homogenizes so that cream does not rise to the top. It puts the eagle in the hen house so that he may no longer soar. It subverts civilization by encouraging the Hottentot to claim equal footing with the cultured and intellectual in any scheme of social administration.

Compulsory Equality Means Slavery

Equality of freedom cannot exist without inequality in the rewards and earned fruits of that freedom. There can be no equality of freedom, without leaving to all men a free and lawful choice of the "means of acquiring and possessing property, and pursuing and obtaining happiness" as Mason had it when Jefferson, like the gypsy, first defaced and then claimed as his own.

It is inequality that makes "the pursuit of happiness" something more than a dry run or a futile chase. It is inequality that makes the race. It is the father of every joy and the giver of every good gift. More than 2,000 years ago Aristotle said: "Equality may exist only among slaves." Slavery is

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the end result of leveling. In the fruitless effort to achieve equality short of slavery the peaks must be bulldozed into the valleys to make a level plain. Such may be done only through the process now called "social engineering" which holds that the end justifies the means. Those means must ever be force, restriction, terror, and a complete loss of liberty.

Equality may be imposed only in a despotism. Equality beyond the range of legal rights is despotic restraint. It is nowhere sought to be imposed except in the communistic sewers of slavic slavery. As Francis Lieber pointed out in his great work on *Civil Liberty* (page 334) 100 years ago: "Equality absolutely carried out leads to communism."

The prophecy is now being realized in America. It is *not* the "American creed." It is the creed of Marxism and the come-on of communism. ◆

EDITOR'S NOTE: This is a condensation of an article which first appeared under the same title in the *American Bar Association Journal*, August 1960. A reprint of that article will be supplied upon request to THE FREEMAN.

IDEAS ON LIBERTY

Russians Catch Sly Bootmaker

BY DAY, F. I. Kuznetsov worked in a Soviet co-operative boot factory, as any good Soviet bootmaker should do. By night, he and his wife went into the basement of their home near Moscow and made felt boots on a private enterprise basis, which they sold on the black market. In short, they bootlegged the boots.

Police who arrested Kuznetsov found bank books listing deposits of $42,300, and 1,500 gold coins, and two automobiles. Private enterprise had paid off.

From the New York *Herald-Tribune*
October 16, 1960

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TOO RICH for our OWN GOOD?

WHEREVER the departed soul of Karl Marx may be, it (or he?) must be scratching a celestial (or infernal?) head at the strange intellectual cavortings of contemporary American leftists. No longer do these leftists say that socialism is necessary because capitalism oppresses the masses. What they are now complaining about is that our industrialists have made us too rich for our own good. We waste our money on frivolous things (so says Vance Packard). And, since the marginal utility of our manifold gadgets is questionable, Madison Avenue is called upon to pump up an entirely synthetic desire for them (so says Kenneth Galbraith). Indeed, our riches have so debauched our sensibilities that we refuse to pay out what is necessary for education, for leisure, for rebuilding our cities, and for bringing the best in medical care to the elderly (so says Arthur Schlesinger, Jr.).

To the extent that the Packards, Galbraiths, and Schlesingers have a case, it would seem to call for a new generation of Carlyles, Ruskins, or H. L. Menckens, esthetic critics with a mission to reform the tastes of the multitude. But Packard, Galbraith, and Schlesinger are not content to argue directly with people about the alleged sinfulness of tail-finned cars or goods that come in fancy wrapping paper. No, they make a pitch for putting the improvement of taste under the wing of political planners. We must be forced to like the right sort of thing by men who carry fiscal clubs behind their backs.

In other words, *force majeure*, and plenty of it. The little matter of first finding tasteful politicians among the tasteless masses and then persuading the tasteless to put the tasteful into office is blithely skipped over.

Since bad taste is always with us at least to some extent, the complaints of Packard and Co. have a certain relevance. But these critics achieve their flesh-

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creepy effects by pulling isolated and usually short-lived trends out of the context of a contemporary society that is neither unduly wasteful nor particularly concerned with sheeplike "status seeking." They make parts do duty for wholes, and foreigners who rely on them for a portrait of America are thereby grossly misled.

A generation ago one could always count on the wise Simeon Strunsky, who conducted a well-known newspaper column called "Topics of the Times," to pull the ever-swarming Packards and Galbraiths of his age down from their pedestals. But there are no Strunskys any more, and our contemporary part-from-the-wholers seem to have blanketed most of the available white space. The answers to Packard and Co. lie all around us – but so far as my own searches show, the only place where they have been committed to paper in a thoroughgoing manner is in a book called *Markets of the Sixties*, compiled by the editors of *Fortune* (Harper, $5.00).

Widespread Affluence

Markets of the Sixties paints a picture of an "affluent society," all right. But it is hardly the affluent society of Professor Galbraith, a place in which "money is no object." True enough, it is a society in which there is a great deal of "bunching around the middle," financially speaking. In 1959, on the threshold of the sixties, about 43 per cent of all nonfarm families had after-tax cash incomes of from $5,000 to $10,000 a year. "Proletarians" had practically disappeared; "blue collar" workers now lived in suburbs cheek-by-jowl with the white collar classes, and neither from their houses nor their spending habits could Karl Marx have told them apart.

The *Fortune* editors have investigated the charges that the bunch-in-the-middle with the $5,000-to-$10,000 "disposable" incomes wastes its money on frivolities, or spends it in frenzied status-seeking. And the editors found some silliness. But in looking for "waste" and "conformity," they came upon a curious phenomenon: a nation with increasingly large families which has little enough money to spare for throwing away when so many children demand so much schooling. The after-tax income of the U.S. ran to $336 billion in 1959. Three-quarters of this $336 billion were spent on the "essentials" – food, clothing, housing, and transportation. Of the remaining $84 billion, some $24 billion were set aside in savings. Almost $19 billion went for medical care. Some

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$4 billion for private education, $17 billion for bank service charges, brokerage charges, interest on loans, and other "personal business," and $16 billion for "fun" – i.e., movies, books, magazines, gardening, boating, ball games, and travel in foreign countries.

Who Says It Is Waste?

These figures do not mean much when taken by themselves. They do not include before-tax public education. When they are compared with the expenditures of former years, they really take on meaning. We discover that medical care, private education, and "personal business" have been taking a steadily rising share of the consumer's dollar. People have been keeping their cars longer; moreover, they have been insisting on "functional" cars (Volkswagens for shopping, secondhand cars for commuting to trains, station wagons for big family use, and so on). Money spent for spectator sports has been declining (since 1947 it has dropped from $2.3 billion a year to $2.2 billion). But "active" forms of recreation have been commanding rapidly increasing sums.

Is it a mark of "waste" that the number of Americans owning their own boats has jumped from two million to seven million in a little over a decade? Or that money spent on books, magazines, and newspapers has jumped from $1.8 billion a year to $3.5 billion, with religious and business books outpacing detective stories and Westerns? Is it "frivolity" that animates the 2.5 million camera owners who qualify as "advanced amateurs," meaning the ones who like to operate their own darkrooms and belong to one or another of 12,000-odd photography clubs? And is it "Madison Avenue," or any other nest of "hidden persuaders," that lures people into joining amateur community orchestras, or sends 30 million Americans fishing and 20 million hunting when fishing and hunting seasons come around?

More Personal Ownership

The "money left over for the good life" – or the "discretionary dollar" – often winds up in the hands of money-lenders, which might be interpreted as "waste." But the editors of *Fortune* do not consider that the American people have gone goofy over consumer credit. In the old days people paid for their commuting on a day-to-day or month-to-month basis, by forking over their cash for trolley car fares or commuter train tickets. Now they still "pay as they go" – by reducing the debts on their automobiles as the cars

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themselves are "consumed." Once upon a time the American people paid for their movies at the box office. Now they pay for their television sets from month to month as they watch the television shows night upon night. However one figures it, it is still "pay as you get something." Though consumer credit totals may seem high, people have had very good records of repayment. When Americans used to travel to work by trolley and spend their evenings at the movie theater, they were simply out of pocket for their expenditures. They did not wind up as part owners of streetcar lines and theaters. But now, more often than not, they do wind up as possessors of TV-sets and automobiles "in the clear." In terms of personal ownership, this means less waste, not more.

Their "Status" Is Freedom

Instead of "keeping up with the Joneses," the modern American suburbanite is often what *Fortune* calls a "high mobile," or an "early adopter," one who likes to pioneer new trends. The "high mobiles" were the first to buy electric blankets, food freezers, and colored sheets. Waste? Well, maybe a penchant for colored sheets is rather silly, but it is certainly harmless. At any rate, the "high mobiles" obey their own whims, which means they are individuals. They can casually mix Victorian furniture and "modern" in the same living room without worrying about what their neighbors will think. To the extent that they encourage other people to be whimsical, they translate "status seeking" into something that is close to "self-realization."

Moreover, the taste of the "high mobiles" is, on the evidence presented by *Fortune's* Gilbert Burck, constantly changing for the better. In the sixties, so Mr. Burck predicts, business will still be able to sell *kitsch* – or junk – to a lot of Americans. But it will surely "be able to make more money operating on the assumption that people want something 'better,' not only functionally but aesthetically."

It is on this note that Mr. Burck ends his own penetrating essay on American taste, which sums up the conclusions of the *Fortune* editors. The book as a whole is far more soundly argued than the works of the Packard-Galbraith-Schlesinger school. Why, then, doesn't it outsell Packard's latest? Is it because our popular taste in sociological works is still on a *kitsch* standard? Or is it because our "high mobiles" buy Packard because they enjoy reading about people they can look down upon – the "other fellow," in brief? I suspect the latter explanation is the true one.

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But, if so, the joke is on the "high mobiles," for the "other fellow," on the evidence of *Fortune*, is ceasing to exist. They have been reading about a disappearing animal.

◆

▸ MARK TWAIN AND THE GOVERNMENT Selected and arranged by Svend Petersen (Caldwell, Idaho: Caxton Printers, Ltd., 1960. 146 pp. $3.50)

Reviewed by Robert Thornton

SERIOUS social criticism is a recurring need, but it is never in such short supply as the kind of criticism supplied by an Artemus Ward, a Will Rogers, a Mencken, or a Mark Twain. These men are, first of all, a literary delight. They don't hit us over the head with a remedy; rather, they help us see the plain truth about things. Take an example.

The mad scramble for political advantage provokes the usual condemnation of pork barrel legislation and we shrug it off. But Twain, watching the fracas, notes, "All were agreed upon one point, however: if Congress would make a sufficient appropriation, a colossal benefit would result," and immediately we get the thing into focus. Humorous critics have another advantage: they survive. As Mr. Nock put it, the wit and the court jester can say outrageous things which in serious form would never find their way into print; or, if by some oversight this occurred, the author would be shot or exiled to Outer Slobovia.

Just recently I read somewhere that anyone wishing to get the "feel" of World War II would do better to forget the serious treatises and novels and turn instead to Ernie Pyle's books and Bill Mauldin's *Up Front*. The latter is no doubt considered by most persons to be nothing more than a collection of cartoons that leave one weak with laughter after only a few pages. Well, they are that, it is true, but they are also much, much more as one learns after going through the book several times and rereading the text which at first is probably forgotten by nearly every reader.

We could use a Mark Twain today, someone who is gifted with that sense of humor which makes a good critic a great one. We have lots of good critics but they are much too serious, much too angry; and, in consequence, they depress even the reader who quite agrees with them on every point. Thus, we are fortunate to have this labor of love which brings together Mark Twain's many observations on what Huck Finn called "the gov'ment" gleaned by Mr. Petersen from Twain's tremendous literary output. The book can be

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read as a gorgeous bouquet of witticisms, or as a collection of common-sense observations on politicians, parties, patriotism, Congress, Washington, D.C., and kindred subjects. Mark Twain was, of course, a product of the frontier and, as such, had a built-in distrust of "the gov'ment" in Washington. Unfortunately, this trait has pretty much disappeared from the American personality and a man like Mark would be a curiosity in these days.

A SHORT HISTORY OF MONEY

By George Winder (London: Newman Neame, Ltd. and the Institute of Economic Affairs. 188 pp., 15 shillings.) Available from The Foundation for Economic Education, Irvington-on-Hudson, N. Y., $2.50.

Reviewed by Henry Hazlitt

EDITOR'S NOTE: *A fortunate blunder on our part has resulted in this second review of Mr. Winder's* A Short History of Money. *Professor Peterson's review appeared in the October* Freeman. *The importance of the subject and the excellence of the book warrant this added attention.*

THIS LITTLE BOOK is not only a short history of money, as its title declares; it is an excellent primer on money and banking, and a clear and courageous analysis of the cause of present-day British (and world-wide) inflation.

Individual chapters discuss whether banks "create" money, the purpose of money, the quantity theory, gold and silver, the bill of exchange, the goldsmith's note, the Bank of England, the bank note, deposit money, the creation of credit money, a world monetary system, the gold standard, postwar exchange control, saving and full employment, state-created cash, and finally (the chapter title is significant) "The Cause [not causes] of Inflation."

The subject of money, banking, and inflation is capable of being dealt with simply and lucidly; but it is honeycombed with traps for the unwary. It has taken mankind centuries to achieve a true and comprehensive analysis. Progress in understanding has by no means occurred in a straight line. As pioneers such as Hume, Adam Smith, Ricardo, Mill, Jevons, B. M. Anderson, Ludwig von Mises, have pushed forward to greater clarity, other writers have espoused new fallacies or entangled themselves in new confusions that required an ever more acute analysis to unravel. The great nineteenth century controversy between the Currency School and the Banking School is still being waged on some issues. Even thinkers who have contributed to understanding on one point have contributed to confusion on another.

But throughout the history of monetary controversy there is one

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choosing of sides that has been decisive. That is between the inflationists and the champions of sound money.

There are some points in monetary and banking theory on which I think George Winder is mistaken. But I do not propose to discuss them here. For not only does he come out on the side of the angels on the chief monetary issue of our time, but he is so informative, he is so right on so many things, he has stated his case so clearly and cogently, that he has given us one of the best introductions to money, banking, and inflation to appear in the last thirty years.

On the historic side, the book is full of fascinating information. It gives the history of money and coinage since ancient times, and explains the origin of banking and bank notes. But it is not for its historical informativeness but for the unequivocal position that it takes on current monetary issues that Winder's book should be most valued.

He recognizes that "a rise in prices is not itself inflation; it is the outward symptom of inflation." He recognizes that the gold standard gave "the world an international money," and that this money, in a world of comparatively free trade, in effect coordinated international prices and so "acted as a coordinator of production all over the world." He is not convinced that it was necessary for Great Britain to abandon gold in 1931.

Winder recognizes that if wage rates are properly adjusted no unemployment whatever need exist. He sees through the iniquities of exchange control, and the brazen nonsense about a "world dollar shortage." He sees the International Monetary Fund as an unsuccessful institution that has thrown its weight behind the dubious policy of "keeping wrong exchange rates stable." Pending the restoration of a real international currency he suggests that "the free exchange of currencies, at their free market values, would aid international trade just as much as the free exchange of goods." He suspects that the present "almost universal opposition to these two freedoms" exists "chiefly because they would make the internal planning of an economy, by the politicians and the economists, an impossibility."

But most of all Winder sees, and clearly says, that it is, first and foremost, governments that are the architects of inflation. "One of the chief objections to the power of the State to create money at will is that it always creates too much." He keeps mercilessly citing the British statis-

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tics on this. "The power of governments to control the quantity of bank loans may be described as an attempt to substitute a flexible supply of money for a flexible wage-and-price structure."

"Both in war and in peace, inflation in Great Britain has its source in the government's failure to balance its budget . . . so that it had recourse to the banking system, which has supplied it with new money. . . . The surest way of stopping inflation is for the government to cease increasing its borrowings from the banking system. . . . The expenditure of the government in excess of its resources has been *the* cause of post-war inflation."

IDEAS ON LIBERTY

Freedom

FREEDOM CAN WELL BE LOST to us through misinterpretation of it. When we think it gives us the right to another man's harvest, or entitles us to an honor we are unwilling to earn, we place ourselves in a bondage that curtails our true growth in every way.

Through the privilege of choice our way is opened for us to become what we will. The wise use of this faculty brings out the best that is in us, and thereby places us in positions and circumstances that are compatible with our abilities and much to our liking. When we direct our efforts to the knowledge and expression of the real Self, of our Sonship with God, we take from no man what is rightfully his, nor do we place anyone in our debt. Freedom does not mean that each shall have the same thing, or even express in the same way; for it is every man's right to discover the path to his highest good. But how we use this priceless heritage of choice decides what we become. True freedom is experienced as we earn it through thought and deed.

LA VERNE BOWLES

From the "Daily Guide to Richer Living" for September 15, 1960, appearing in *Science of Mind*.

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Prepared by VERNELIA A. CRAWFORD of the Foundation staff

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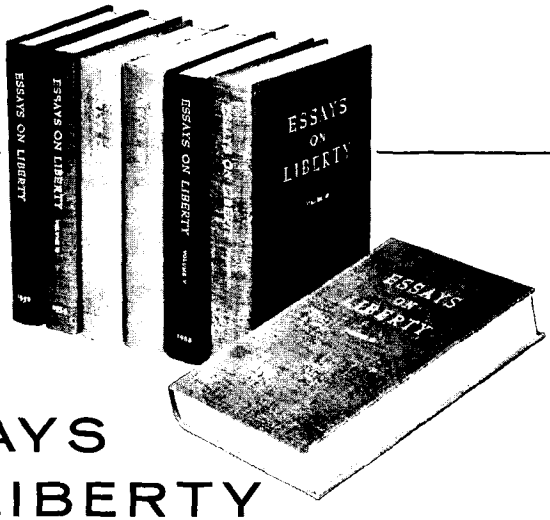

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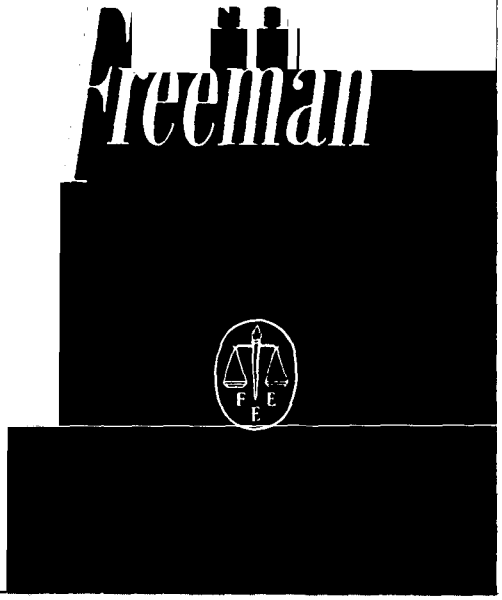

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